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East Europe SUPPLEMENT

JPRS-EER-93-004-S

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*** General Director of Kintex Interviewed**

93BA0457A Sofia ZORA in Bulgarian 15 Dec 92 p 4

[Interview with Anton Saldzhiyski, Kintex general director, by Dobromir Zadgorski, ZORA deputy editor in chief; place and date not given: "Kintex Is Surviving Despite Everything"]

[Text] *Mr. Anton Saldzhiyski studied foreign trade and began work at the Kintex company as a commodity expert in 1980. He has not held any other job. He has advanced through the ranks of the company's hierarchy and became its head in 1991. He is married and has one daughter.*

[Zadgorski] Mr. Saldzhiyski, the problems of the military-industrial complex have all of a sudden proved to be quite acute and dramatic. They are affecting a number of people who are not being paid for their work in the defense plants. Kintex is in a difficult situation because of incompetent decisions made by the government commission. In the final account, such decisions will wreck the defense industry. In practical terms, what were the results of the work of the so-called Bozduganov Commission? Many people claim that it led to the collapse of perfect deals and actually brought Kintex to a vegetating condition.

[Saldzhiyski] These problems were discussed at length by the press, and the Bulgarian public learned something about them. Whether these types of activities should be the object of such stormy social attention or not is a different matter. As I have repeatedly said in the past, there are some things that should be said concerning our military-industrial complex. Above all, it currently finds itself in a very difficult financial condition. This is a known fact. The main consumers of our goods at present are not our partners. I am referring, more specifically, to the members of the former Warsaw Pact. The Bulgarian Army as well is not purchasing or is purchasing very few goods produced by our plants, for it too finds itself in great financial straits. In practical terms, good plants operating on a high technological level today remain without serious clients, without serious consumers, and without the opportunity for such clients to appear in the near future.

The countries classified as belonging to the so-called "second direction," meaning countries in Asia, Africa, and the Arab world, with which we traded, have also withdrawn for a variety of reasons. Yet we know that the manufacturing of our special products has an exceptionally limited market in Europe or in North and South America, not to mention the fact that, in general, no possibilities of exporting to such countries exist. These are difficult problems facing the complex, which define its financial condition. Naturally, another influential fact is that a high percentage of the funds that were given to the plants were for building mobilization capacities! It would be legitimate to consider such funds as debts owed by the state and not by the enterprises. That is the second factor. Last but not least, naturally, are the possibilities

existing for control over sales of armaments and ammunition. My view, which I have repeatedly expressed, is that there must be a commission, a governmental commission, in charge of controlling production and exports. It is extremely necessary. So far no one has argued the need for the state and the government to protect the country's political image. The question is that, for one reason or another, some of the deals which have been proposed by Kintex and which were allowed by the commission were subsequently either annulled or temporarily tabled. Naturally, this created difficulties mainly in the work of the plants. The plants greatly relied on such orders and deals. To us the contracts and relations which we had established with people requesting such goods were entirely normal and were based on the instructions issued to us by the commission in various documents, specifications, etc. In other words, on our side we met all required obligations. This is something which must be settled in the course of the work of the commission. In my view, it would be more logical for the commission to be headed by deputy ministers of the interested ministries, who would be monitoring our specific activities. It should include other respected experts who would participate in its work. This does not eliminate but, conversely, quite logically and normally provides for the opportunity, should the commission itself be unable to make a decision on a necessary deal, for the matter to be submitted to the government itself, including the deputy prime minister or the prime minister. This would create a much more efficient atmosphere for work and for debating issues and avoiding undesirable consequences.

[Zadgorski] The regulation governing the military-industrial complex, Kintex in particular, is an exceptionally important feature. A number of well-informed people, including deputies, on the left and right sides of the barricade, claim that the complex is being deliberately deprived of its strength so that it could be privatized at a low price, after reaching a state of financial prostration or, as the saying goes, ready to be sold "under the counter."

[Saldzhiyski] I cannot claim that such a thing exists. Considering that, at least for the time being, the view in parliament, which is categorical and firm, is that the plants belonging to the defense industry must not be privatized. I, for one, have not heard the view that such companies will be privatized at this stage of development. What is being heard is that a moratorium on privatization will be imposed, lasting between three and five years. Obviously, in the parliament at least, from this viewpoint no such proposals are being made. Clearly, your information on this matter must be coming from other sources, about which I cannot comment. The official information, categorically issued by the parliament, is one of protecting the defense industry companies.

[Zadgorski] Do you believe that the constant political crises in our country caused by clashes in the government, as well as the actual change of five governments in

three years, along with the frequent paralysis in the work of the parliament are having a destructive influence on the work of your profitable sector?

[Saldzhiyski] Naturally, they affect us. They affect us mostly in the fact that most of our serious customers, naturally, would rather see us as serious partners and suppliers. They also rely, for everyone knows that permits and exports take place exclusively by decision of the government, on the fact that it would be more logical and more normal to have such cooperation and such supplies coming from us. These would be supplies guaranteed by a greater political stability in the country's situation. This would also mean less frequent changes in the cabinet. This is logical and cannot fail to have some influence, particularly on new potential customers who would like to deal with us as suppliers. Another influential feature, which is no secret to anyone, is that it is normal and logical whenever a government changes usually to change the membership of the commission in charge of control over armaments. Such was the practice so far. The new commissions which result from such changes, however, regardless of how well-disposed they may be, need some time to find their way, at least to a certain extent, in the problems of our business. In the final account, the result is a steady and undesirable delay. This always leads to difficulties in our work. Any cabinet change delays the efficiency which is so greatly necessary in our branch.

[Zadgorski] In my view, there is yet something else related to our internal confusions. It seems that the competition is profiting from and contributing to removing you from the markets. According to my understanding, a Polish newspaper recently wrote that Kintex has been dismantled as a company and that its management was dismissed. This petty journalistic comedy may take a tragic turn and may be able to convince the world that you no longer exist.

[Saldzhiyski] You are the first person to inform me of this publication. Obviously, your colleagues have been too hasty, for, at least for the present, the company has not been dismantled. I, for one, have no information that anyone wishes this. Perhaps your journalistic colleagues had in mind publications in our own press concerning the order on the basis of which the Kintex supervisory council was replaced, and were confused.

[Zadgorski] Very well. In the final account, however, is the government the only responsible authority which can appoint and replace the company's supervisory and managerial councils?

[Saldzhiyski] Yes. This is the right of the executive authority as well as its obligation, as stipulated in the Trade Law. The government has the authority to manage the state companies. It is the government that appoints the supervisory council, on a contractual basis. The supervisory council is responsible for the proper management of a given company and for its financial condition.

[Zadgorski] Unless it is a state secret, could you give us a comparison using specific figures, so that we could understand the real dimensions of what we are losing. Such as the volume of operations and profits two years ago and now.

[Saldzhiyski] There is no substantial difference between the situation two years ago and now. We have kept a virtually identical volume of exports. Naturally, a comparison with the period of four, five, or 10 years ago would show a major difference. Compared to the past, we now have an entirely different situation. Nor should we forget the fact, which applies to other arms-exporting countries as well, that today the market is not favorable. Many of our traditional partners find themselves in a precarious financial position. I am referring to importing countries. And since we too are in a poor financial condition we could hardly allow ourselves to export arms on credit or with term payments. On the other hand, solvent countries are seeking more modern goods, which, for understandable reasons, are not being produced in Bulgaria. That is why I have repeatedly emphasized that a clear concept must be formulated on the development of the defense industry. Such a concept must take into consideration all the factors governing present reality and future sales. It is precisely the government that must take decisive action in such sales, as is the case of all countries throughout the world that sell weapons. Since our partners are most frequently governments or ministries of defense of the respective countries, it is normal for us to have greater help coming from our Council of Ministers. We need its authoritative guarantees after we are informed of our foreign policy priorities. This is not difficult to accomplish.

[Zadgorski] To the best of my knowledge, despite its difficulties, to this day Kintex continues to provide substantial earnings to the state.

[Saldzhiyski] What we have in these hard times as an opportunity based on many years of dealings is contacts. Good relations and ties with our customers mean a great deal. Naturally, we try, despite some negative factors, to do everything possible to preserve the defense industry, so that the people who are employed in it may earn their salaries and a living.

[Zadgorski] At the present time are there any perfect deals between Kintex and its customers which have either collapsed or been frozen by the fault of the governmental commission?

[Saldzhiyski] I already mentioned the existence of such deals. Some of them were in the course of being implemented and were permitted by the commission and, subsequently, have been temporarily halted. Some of them were annulled.

[Zadgorski] Thank you and I wish you better times.

*** BAN Chairman on Scientific Institutions**

93BA0479A Sofia DUMA in Bulgarian 30 Dec 92 p 6

[Interview with Academician Yordan Malinovski, BAN president, by Veliana Khristova, DUMA correspondent; place and date not given: "Not All of Our Scientists Must Be Supported by the Budget"]

[Text] [Khristova] The most hotly debated issue today among scientists is the restructuring of the BAN [Bulgarian Academy of Sciences]. Is this a project and how long will it take?

[Malinovski] It is not a project, naturally, for throughout the world scientific institutes must be certified periodically. We have never had such certification, which, henceforth, will be permanent. We are changing the system and we must reassess values. We are currently taking inventory.

However, it is impossible to certify 85 institutes with 10,000 associates all at once. We had to start somewhere, and we began by formulating the criteria. It is not true that the criteria were drafted by a group of people. They were drafted with the participation of representatives of all institutes, and it was on the basis of such criteria that the individual units rated themselves. If some of them adopted a careless attitude toward their self-assessment and are now displeased by the rating they have this is not the fault of the Administrative Council. Granted, not everything was done in the best possible way. However, the consequences are not drastic at all. After certification with the participation of a broader circle of scientists, we shall indeed determine who belongs where.

Our restructuring will begin next year. What we have earmarked now should be completed by the end of our mandate, i.e., by mid-1996. We are anticipating nothing catastrophic and no areas will be closed down. Some institutes, however, are unsuitably structured and some groups within them would work better in a different environment. We anticipate that units that will be closed down will be transferred to either other units working in similar areas or else to new institutes. We are not anticipating any drastic reductions. Five years down the line we may have our number reduced by one-half, providing that conditions are created that will not throw people out on the street.

[Khristova] The BAN employed 15,000 people; today there are fewer than 10,000, and you are speaking of 5,000. Is this not a drastic shrinkage, and should we be pleased by it?

[Malinovski] This figure is drawn by analogy with scientific centers in the so-called normal countries. Taking them as an example, the BAN should not exceed 2,000 people. Germany, for example, with its 80-million-strong population, has its Max Planck and its Fraunhofer-Institut with a total of 20,000 associates.

[Khristova] However, it also has 13 centers and seven academies of sciences....

[Malinovski] If we were to reduce our personnel within a period of one or two years, and if we throw the people out, yes, that would indeed be an error. The objective is different. I hope that in four to five years industry will finally begin to function and, since its scientific potential will have been dispersed, it will have to take some of our people. That is why we wish to preserve this intellectual potential by gradually relieving from the budget from the need to support it.

[Khristova] The SAS [Academic Trade Union] has sounded the alarm that there is no national strategy or priorities, and that the BAN is beginning to make changes locally and "blindly."

[Malinovski] I categorically reject this view. Either the SAS has been unwilling to study the project or is simply making populist statements. For the past year we have been working and taking into consideration worldwide experience, the interests of society, and our traditions in various scientific areas where our successes have been unquestionable. We have a clear concept and clear priorities that, naturally, must be refined with the assistance and active participation of the General Assembly. The fact that volumes have not been written on the subject, as would have been the case in the past, is no difficulty and we have not lost time.

[Khristova] Does it not bother you even for an instant that some units may be destroyed, particularly in the social sciences?

[Malinovski] Such a possibility, regretfully, has always existed. Errors could occur in any project. The problem is to limit their number and gravity. I presume that you will agree that the social sciences were mostly engaged in activities which are today difficult to coordinate with global practices. Now they must reinterpret their work. We have no intention whatsoever of imposing administrative measures. I believe that we must also involve foreign scientists in our assessments. However, this idea was not welcomed with approval, something which I find significant.

Some units suggested their own decisions. The notorious philosophical institute has three groups (all of them consider themselves repressed, which makes me think that this is the result of infighting within the party leadership), some of which have displayed quite realistic views. We are trying to make use of the people who would like to think rationally. A need for rational thinking obviously exists.

[Khristova] However, institutes represented in the Administrative Council and the leadership of the General Assembly have been left intact.

[Malinovski] It may seem so, but superficially. However, I firmly claim that the Administrative Council approached the matter exclusively on a principled basis. Let me turn the question around: What unit does not have its representative in the elected Administrative Council? Probably some institutes that feel that we are

now watching them closely "under a microscope" may not be adequately represented. But why? Because they were unable to nominate individuals for whom the General Assembly would vote. The fact that they were unable to produce such personalities would indicate that something in them was not entirely in order and they should be angry at themselves and not at the BAN leadership.

[Khristova] Will there be another cut in the BAN budget because of the forthcoming budget cuts, as was the case last year? If this situation continues, is it possible that next year you and I shall be discussing matters, such as the state of the Braila Learning Society?

[Malinovski] There is an agreement that this will not take place. We shall not let go even a single person should the financial institutions cut our budget, and we shall not close down units if their funds are not kept within the Academy. On the contrary, considering the inflation, we will naturally be fighting for a bigger budget.

The problem, however, does not lie exclusively in the shortage of money. Some countries appropriate for science no more than 0.01 percent of their budget. Naturally, they are part of the developing countries. However, such countries have very few scientists and the cost per individual nonetheless remains higher than per Bulgarian scientist. The trouble is that there are too many people. Do not misunderstand me, there are too many scientists in the sense that all of them are budget supported. In a normal economy they would not be too many, considering the size of the country. However, when I see how much teachers and physicians earn, I realize that probably such are our country's possibilities today.

[Khristova] That is precisely the problem—whether the crisis should affect science, education, and health care the most?

[Malinovski] I cannot be a judge of economic policy, which is defined on entirely different levels. I assume, however, that many people will find their own way. A professor earns as much as a company secretary. A scientific worker, however, has the privilege of working in an area that he likes. In the final account, everyone should consider whether or not to work elsewhere. The fact that this will be a loss of scientific potential is accurate. However, it is also a fact that science pays off on invested funds over a long period of time and not always visibly. That is why scientific workers in all countries are relatively under paid.

* Quality, Availability of Telephones

93BA0476A Sofia DELOVI SVYAT in Bulgarian
31 Dec 92 p 2

[Report by Nadya Aleksandrova: "Five Years From Now We May Not Have To Wait for a New Telephone"]

[Text] *It is projected that in the year 2000 there will be 2.6 million telephones in service. In the year 2006, 75 out of 100 households will have a telephone.*

Statistical data indicate that 57 out of each 100 Bulgarian households have the benefit of using a convenience known as the telephone. A comparison of the place held by our country among the developed European countries in terms of telephones shows that we are in a rather disadvantageous position. Adding to this the uneven distribution of telephones throughout the country, the curiosity of both specialists and nonspecialists concerning a projection (after the time of hope, now everything seems to indicate that we are once again plunging into the time of projections), made by specialists from the Arthur D. Little Consulting Company and of the Scientific Research Institute on Communications on the needs of our country for telephones for the 1992-2010 period becomes entirely natural.

According to the study by the experts, the number of telephone subscribers, which has been steadily and smoothly increasing starting with 1980, will enter, in the next five years, initially not only into a period of delays but also of a drastic division into two clearly delineated trends. The public telephones, as they were until recently known, and the installation of which was no problem in the past, are today classified as "business subscribers" (according to Sofia data, 14 percent of all installed household telephones are issued to companies. However, such "mimicry," for the present at least, does not exist and will be both officially and from the tax viewpoint, "cut off") so that, in the future as well, we shall be speaking of business and residential subscribers. Therefore, because of the increased rates of telephone services and their expected steady correction based on the inflationary index, according to the projection over the next five years we should not expect any increase in the number of home telephones. The simple reason is that it will be difficult for the people to set aside from their earnings the necessary funds for a service which, obviously, considering the economic situation prevailing in the country, will qualify as a "luxury." Nonetheless, although not quite substantially, the number of installed telephone sets will increase according to the projections, thanks to the business subscribers whose requirements will slightly improve the curve for the next three years and, most likely, will contribute to a slightly faster growth after 1998.

It is expected that 1998 will also be the year of "balance," when, finally, the lists of people waiting for a telephone, will disappear. Again in 1998, as the experts hope, the smooth increase in the overall number of subscribers will resume. It will be 2.5 million in 1998, and 2.6 million in the year 2000. In the year 2006 our statistical data will record 75 telephones per 100 households, so that the likely number of home subscribers, according to the estimates, will increase by about 300,000. A clear trend also appears toward increasing the relative number of business and... establishment subscribers.

Let us say a few words about two other important trends. It is projected that there will be a minimum of 20,000 public telephones which will make it possible, using coins or cards, to make local and long-distance calls; the plan for initial digitalization of the network for 1996 will extend to 100,000 subscribers. Ten years later, 48 percent of all telephones in our country will be digital and, in the year 2010, which is the most likely expected date, all sets will have direct dialing.

It turns out, perhaps quite by accident, that a full generation separates us from the time when we could really have reliable and high quality telephone communications. Therefore, if you are unable to hear your children clearly on the telephone, we wish your grandchildren to be healthy and happy. In all likelihood, they will no longer have problems with the "luxury need" known as the telephone.

*** Entrepreneur Critical of Bureaucratic Obstacles**
93CH0260A Prague EKONOM in Czech 11-17 Dec 92
p 46

[Article by Jaroslav Hejkal: "Everyone Should Have the High-Jump Bar Put at a Sensible Level—A Monologue With a Beginning Business Demand"]

[Text] *We met accidentally in the waiting room at the dentist's office. One word led to another until we introduced ourselves. His name is Jaroslav Tichy; he is the owner of the JOT Auto Transport Company at Litvinov. His story would undoubtedly be of interest to even many of our readers.*

It Is Not Possible To Do Serious Business in a Jungle

When I decided to go into private business in the automotive transport field three years ago, I owned a single vehicle—my "Favorit." I borrowed 80,000 korunas [Kcs] and added an older "Avia" panel truck. I soon understood that I would not be boring a hole in the world with this "inventory." That is why I mortgaged my family home as well as my weekend house, took a loan at a bank, purchased additional vehicles, and also made use of leasing. I now have a total of 17 vehicles. For the most part, they are driven by drivers who are regularly employed by me.

Of course, I had an idea that private business would not be a stroll through a rose garden. What bothers me most is that legislation is not in order, that the small business, financial, and community offices are not functioning properly. Neither are the chamber of commerce nor the guilds. Of course, this is water for the mill wheels of all kinds of odd-job specialists and fly-by-nighters, whereas the person who wishes to be serious about doing business is powerless against them. Here, in the Most region, there is a tremendous jungle right now regarding automotive freight transportation. Many people are earning extra money in automotive transportation while they are employed. There is more supply than demand, so that many "businessmen" are working for dumping prices. But, to the extent to which a person intends to seriously engage in this business activity, if he intends to correctly record his earnings, pay taxes, purchase spare parts legitimately, adhere to safety regulations, have all vehicles insured and the people correctly documented, he cannot survive long under these conditions. Perhaps two or three years, as long as the vehicles hold out, but in no event can he count on any kind of longer prospects. In the jungle, it is simply impossible to do serious business.

The Bureaucracy Is Blossoming, and Broad-Mindedness Is Missing

Although much is said and written about support for the small and medium-sized business enterprise, very little is being done in that regard. Let us take, say, the approach of the banks. If I want a loan, I must first work up an economic analysis and a project. There is nothing wrong in that, but why must everything be so complicated, and

why, if I want to borrow Kcs200,000, must I come up with almost Kcs400,000 worth of collateral? I was lucky that I could provide my house as collateral. But what about others who do not have houses?! In the West, it is customary for banks to grant business people credit without any collateral; only a project is required. So why would that not be possible in this country? After all, the banks have specialists who can judge whether the submitted intention is realistic and whether they are dealing with a solid businessman or some kind of swindler. Our banks, however, do not wish to bear even the smallest risk.... Or, let us take the regional state organs, areas where the bureaucracy is virtually growing in a rampant manner. In the relatively short time I have been in business, I have undergone perhaps all possible controls to which transportation can be subjected, beginning with the transport department or the labor office and ending with the internal revenue service. The tax administrator today is a man with whom it is difficult to debate anything sensibly and logically. I had the experience of not being able to explain to the female employee of the finance office why the receipt from a parking lot for Kcs4 lacked a signature and an official "stamp." I list this as an example to indicate that many employees of the state administration lack the knowledge of how things are done in practice, as well as lack, I would say, a certain generosity. They would frequently much rather cast about in items worth a few korunas rather than shine a light at those people who are robbing the state of millions. This reminds me of the director of an enterprise where I worked during the previous regime; the enterprise had billions in turnover, but the director used to walk about the factory and check the restrooms to see that they did not have light bulbs in them that were stronger than 40 watts.

Those habits from socialism are surviving, even among regular employees. For the time being, I do not employ so many of these job changers, but I can see it in those who keep coming to ask whether I have any work for them. I usually get the impression that, as a general rule, they want to be paid a lot of money and do very little work. And the situation involving the hiring of new people today is really a devilish problem. I have nothing against the fact that fitness reports were done away with; they were not worth much anyway. But what can be done today? What can you learn about a person who appears to be very sympathetic to you when he is asking for work? Nothing at all! There is no kind of system, not even the one that existed under the old Austro-Hungarian Empire, when they had workbooks and when each workbook could at least yield the knowledge of what kind of worker the bearer was, whether he was a master of his trade and whether the individual might not be an uncorrectable job changer.

Strictness Reserved for Only Our People?

I know that the parliaments have a whole lot of other worries so that they have little time left for those matters that bother us here below. Nevertheless, there are matters they should not throw over their shoulders. We

know that a highway tax is being introduced that is to impact only on businessmen. But why should it not be paid by everyone who drives a vehicle? Are businessmen the only ones who are imposing wear and tear on the highways? Or let us compare the regulations here and elsewhere—let us say in Germany, for example. If, as a Czech automotive shipper, I do not observe the rules of the road there, I must immediately pay a high fine. And if I cannot afford to pay, the German police will take away my passport or even my vehicle. In this country, however, all that foreigners have to do is not be able to speak Czech and no one will compel them to pay fines. And yet it would be enough to do the same that they are doing to us: If you cannot afford the fine, turn in your passport, and, once you have the money, we will give it back to you. The same is true of the capacity of the highways and the situation at border-crossing points. It is as though none of our government officials are interested that there are queues of vehicles stretching for many kilometers, that a doctor at Rozvadov cannot reach a sick child. And that is so only because the German shippers do not want to dispatch trucks on a continuous basis, and not even on weekends. Can't such problems be solved by intergovernmental agreements?

But not even community or municipal representative offices can be said to somehow help small business people because, for the most part, they want to immediately wring out the maximum possible amount of money

for the community treasuries. That policy of theirs, however, is shortsighted; they do not realize that if—particularly in the beginning—they create good conditions for businessmen, it will be paid back to the community in the long run not only in the form of employment for citizens or higher taxes paid to the community treasury; it would even result in local cultural or sports organizations having their sponsors, or would mean the beautification of the community.

Something Like Sports...

I really should not complain. I am glad that people in our country have the opportunity to go into private business and that I can also try this for myself. Believe me, at age 53, I am not doing it for the money. In the final analysis, before I am free of debt, I will be retired.... I do it expressly because it amuses me. You know, I played sports all of my life, and business for me is somewhat similar. Perhaps because there a person can test what he can accomplish in serious encounters with competitors. In other words, I regard it in a sporting manner, even though I already have worries and work up to here. Of course, I must say one more thing: Much like a sportsman, a businessman must take into account the carrying capacity of his physical, mental, and, understandably, financial burden. That is why everyone should raise the bar only to a sensible level for himself.

Political Implications of Royal Visit Postponement*93BA0505A Bucharest "22" in Romanian
7-13 Jan 93 p 3*

[Article by Andrei Cornea: "The 'Cold War' Continues"]

[Text] No matter how hard one tries, it seems impossible to me to find a **rational** explanation that makes sense out of the chicanery by which the Romanian authorities have succeeded in forcing King Mihai to postpone his visit to Timisoara. Actually, it is absurd for one to believe that this visit could have caused trouble, that royalists would have mobilized to place their king on the throne by way of a "putsch," and that hot-headed monarchists could have proclaimed the Banat their kingdom, separating it from the rest of the country. Similar scenarios that could have been imagined by the nationalist-communists of ROMANIA MARE have no logic or connection to reality. Likewise, it is very difficult to believe that the government would have had some reason to worry if the king had been warmly greeted by great numbers of people in Timisoara. The same thing happened at Easter in Bucharest, and yet a few months later Ion Iliescu won the election. On the contrary, the warm, civilized reception of the king last spring created a better image for the very government that had organized the visit, increasing the government's popularity. Even if, let us suppose, there had been vigorous shouts of "Down With Iliescu" in Timisoara, the event would not have been cause for excessive concern, because this would not have been the first such event for the residents of Timisoara. Under such circumstances, it is even likely that the august invited guest himself would have tried hard to calm things down.

To the contrary, the current situation again puts the government in an awkward position worthy of contempt. No one can be so naive as to believe that everything is due to the stupidity of certain police generals or certain misunderstandings between the Foreign Ministry and the Interior Ministry. Last Easter, these very same generals were able to demonstrate courtesy and intelligence, and those ministries were able to coordinate their activities. Not only does this affair again affect Romania's image, but it also fails utterly to benefit the current Vacaroiu government, whose first significant political gesture appears to be reprovable, affecting as it does human rights and freedoms.

Thus, nothing rational can be found in this affair, not even a single thing that might serve the specific interests of those in power. The decision to make it as difficult as possible for the king to visit our country was based not a calculation, not an analysis, not an accounting of the pluses and minuses, but rather on an **irrational** view; or, more precisely, a view strongly distorted by a feeling and an irrational reaction: **fear**.

One could note two kinds of reactions to King Mihai's personality, both of which are irrational and reinforce and sustain each other. On one hand, for many of those sympathetic to the opposition the king represents a

messianic figure, one capable, through a single gesture, of re-establishing not only a normal political life in Romania, but also a new morality and spirituality. On the other hand, through some kind of a "mirror imaging" the king is satanized and exercises some sort of terror over those who have the most to fear by a change at the top of the government. Thus, the king is the focal point of equally powerful and contradictory feelings: unlimited admiration on one hand, and an equally unlimited fear on the other. Similarly, it must be noted that the adoration and admiration of some people is fed by the hatred of other people, and vice versa; the latter have more reasons to be afraid, knowing as they do the sentiments of their adversaries.

Fear and adoration are poor counselors. They profoundly alter the real proportions of things, they distort facts, they oversimplify, and, most importantly, they cause one to work against one's own interests. Dominated by what I once called a "monarchistic delirium," the opposition has overestimated the royalist feelings of the great majority of the population, and the results have been seen in the elections. Conversely, obsessed by a veritable "antimonarchistic delirium," the government greatly overestimated the dangers that could stem from the presence of the king in the country, jeopardizing their own interests and committing absurd mistakes. Members of the secret services, the military, and prosecutors—many of whom are guilty of covering up the truth about the Revolution—are living in a dream world and are under the influence of the fear with which they have filled themselves, overwhelming decisionmaking authorities with false information. By irrationally playing the "monarchy card," the opposition committed a grave strategic error. By playing the fanatical antimonarchy card in an equally irrational manner, the government is making erroneous, self-damaging decisions.

Nothing could be further from my mind than to place these two "deliria" on equal footing from a moral point of view. Because the ones who have something to fear are those who have crimes to hide, who wish to maintain a wall of silence and deception regarding certain complicities, or who cannot conceive of their own existence without maintaining their positions of power. On the other side, there are, in general, those who are interested in learning the truth and in basing the foundations of our political life on honesty. However, what is worrisome is that, from an intellectual point of view, there are striking analogies between these two groups, and that both views of the world are dominated by irrational forces that evade the scrutiny of rational analysis.

The errors of the opposition have benefitted the government. But will the errors of the government benefit the opposition? Putting the matter in terms of what we might call, after Hegel, "the cunning nature of history," will not the monarchy win out, will not its nature become ever more known and more convincing precisely because of the urgency of the negative propaganda put forth by the government? Will not ever greater numbers of people understand that the government, even though it has an

incontestable legitimacy stemming from the elections, and even though it controls all the levers of state power, continues to appear to be terrorized and afraid? Will this not, thus, show the government to be much weaker than it is, energizing the opposition?

Right now, one thing seems certain to me: With both sides dreaming the same dream, but with the signs reversed and separated by opposite and irreconcilable mythologies, the government and the opposition stand no chance of sitting together at the same table where, following a rational analysis, they can negotiate their interests, reaching a profitable agreement for everyone but especially for spurring economic, social, and political reform. At a time when the dominant factors are mythical and irrational visions, delusions or delirious self-delusions, any basis for pragmatic compromise is destroyed or reduced to a minimum. Therefore, a true civil "cold war" has all the chances of continuing and the much called for and desired "national reconciliation" remains a wish as unreal as paradise on earth.

Senate President on Government's Prospects

93BA0491A Bucharest ADEVARUL in Romanian
6 Jan 93 p 5

[Article by Oliviu Gherman, president of the Romanian Senate and president of the Democratic National Salvation Front: "Questions, Answers, Responsibilities"]

[Text] Recently we have been seeing an avalanche of questions coming both from the average citizen as well as from those who should understand Romania's political life since the September election better. Basically they are asking this: Why is parliamentary and government activity starting off with such difficulty? Let us note that the FDSN [Democratic National Salvation Front], the relatively majority party, obtained just 34 percent of the seats in each house while the political formations that placed themselves in the opposition (the CDR [Democratic Convention of Romania], FSN [National Salvation Front] and UDMR [Democratic Union of Hungarians in Romania]) together hold approximately 44 percent of the seats! So we see that the political spectrum of the current Parliament is very broad, having two poles, neither of which provides at least a slim majority in Parliament. The classic solutions to these situations are well known. A frequently-encountered version is that of forming some post-election coalitions. In our case, the one most entitled to propose this coalition would be the CDR-FSN-UDMR grouping, since it needs 7 percent of the seats in Parliament to become the majority. This grouping has not shown a predisposition toward this kind of coalition.

The solution adopted by the grouping mentioned above is well known. Launching the slogan that the party that won the elections—that is, the FDSN—should assume responsibility for governing, basically it is attempting to obtain all the political advantages. No special political

insight is really necessary to evaluate the objective difficulties of governing in this stage of the Romanian economy in decline, during a winter which itself is difficult. So the leading representatives of the CDR and the FSN are not making a secret of the certainty they have that this government will not last more than six or seven months. As a result, the slogan mentioned above directs political life toward one of the two possible variations: a polymorphous coalition of the "other" parties, imputable through various labels, or a minority governing with aleatory parliamentary help. There still is a third solution: that is to refuse the mandate to form a government, which actually would have led to the need to dissolve Parliament and to anticipated elections. This variation would have permitted a sharper polarization of the electoral choices, undoubtedly sensitized by the obstructionist attitude of the opposition groupings. You may ask why the FDSN did not resort to this variation. The reason is simple. Let us recall that the Romanian electorate participated at least four times in voting in less than one year. And carrying out new parliamentary elections right before winter would have led to a great deal of absenteeism, the result of which would have been a nonrepresentative Parliament, an expression of the most aggressive political forces.

Proceeding from these conditions, the party to whom formation of the government was entrusted—that is, the FDSN—proceeded from a sensible analysis of Romania's situation and felt that the basic goal of the future government is to speed up the reform up to the limit of social supportability! What are the best political conditions for speeding up this reform? Clearly, they originate in the unified participation of all parliamentary political formations in the act of governing. Whereupon the first offer made by the FDSN was that of a government based on a platform structured on the common framework of all the political platforms of the government parties—reform, privatization, social protection, and restarting industrial and agricultural production. Would this kind of governing have been a harmful compromise for each parliamentary political formation as a result of diluting political individuality?

If we would have been at the end of a long period of democratic life, in a prosperous country, the loss of a party's individuality could have led to damaging it or even to its disappearance. But we are in a country where the democratic process is delicate and the economy is in a clear decline. What would the Romanian electorate have appreciated more: Coming together shoulder to shoulder to overcome all the social-economic difficulties in the present legislature or preserving the identity of each party at the price of really slowing the reform? Doesn't refusal to participate in a joint government mean deserting the carrying out of the reform? In the first alternative everybody would have gained, including the parties that declared themselves the opposition. But it wasn't meant to be this way. The lesson provided by the success, including the political success, of the great coalition of postwar Germany was unfortunately

neglected, as well as other examples of the same nature. Romania possibly has lost a unique chance to speed up the reform process precisely due to the rigid position of those who say they are its greatest supporters.

Together with according investiture to the government, the center of gravity of the difficulties shifts from the legislative to the executive, since it is not a matter of replacing one government with another but rather of rethinking the entire act of governing.

A realistic evaluation shows us that in order for the new government to operate at full speed ahead we still need at least one month. This period is needed in order to place all the ministries in a coherent mechanism that would be ready to govern for four years; to replace making decisions "by inspiration" with a scientific decision-making act based on the facts and directed by proceeding from a unified concept of governing. Forcing of the issue in any way in this regard can lead to costs that are hard to evaluate today. But this does not mean at all that the current government cannot fulfill its basic duties to the country.

Turning to Parliament, we must make two preliminary observations. Parliament has remained the theater for the main political dispute with erosion of the government's political formation of the FDSN being at stake. I cannot help but make the spiteful remark that we see in this process not only our political adversaries but also our real friends or even parliamentarians of their own party. As far as I know, there is no parliament in the world where the representatives of the governmental party do not call upon their own government. Solving government's problems is done by a direct parliamentary-ministerial relationship favored by political affiliation!

Another observation concerns delaying tactics. We cannot help but remark that although there were more than enough afternoons devoted to activities by commissions, the products of their work are unsatisfactory, with the commissions not having provided us with one report for one important draft law. Undoubtedly, due to the polymorphous structure of the commissions, matters are hardly moving there, either. But what cannot be understood is the fact that the reform process is in our hands and if this is slowed artificially by sterile disputes both in commissions as well as in plenums, we should not point

our finger at others but rather at ourselves! I hope that January will be a good adviser for the activity of the coming session.

* Report on Oct 1991-92 Economic Activity

93P21111A Bucharest ADEVARUL in Romanian
19, 20, 21 Oct 92

[Activity report in three installments of the government for the October 1991-October 1992 period]

[19 Oct p 4-5]

[Excerpts] [Passage omitted]

II. Consolidation and Development of the Market Economy and of Social Protection

The government has consistently pursued the following major objectives:

—the stabilization of the economy, by the reduction or elimination of the fundamental imbalances, which either continued after December 1989 or appeared during the transition period as a result of the collapse of an economic system based on political dictatorship, hypercentralized planning and omnipresent state ownership, as well as as a result of the disintegration of the former CEMA;

—the encouragement of activities with positive and stimulating effects for economic recovery—export, agriculture, individual initiative, the restructuring of commercial companies or public companies—as well as direct intervention for the elimination of shortages of items of special importance for the people, such as wheat, energy, sugar, and medicines.

—the continuation and extension of structural reforms in the economy with emphasis on their consistency, which is the only way to achieve an economic system based on market principles, predominant private ownership and the encouragement of the initiatives of economic agents; and consolidate economic stability—a necessary requisite for the recovery of the economy and of the standard of living of the population. In this framework, the government has developed a social protection system in direct proportion to the real possibilities of the economy and the requirements for economic stability.

1. The Real Economy in Figures

1. Deficit of the Balance of Trade in Convertible Currency (export-import) (in millions of dollars)

| 1989 | 1990 | 1991 | 1991 | 1992 ¹ |
|---------|---------|---------|---------|-------------------|
| + 2,520 | - 1,720 | - 1,345 | - 1,179 | - 606 |

¹First nine months of 1992.

Deficit by Month in 1992 (in millions of dollars)

| I | II | III | IV | V | VI | VII | VIII | IX |
|-------|------|-------|-------|-------|------|------|------|-------------------|
| - 100 | - 87 | - 160 | - 107 | - 164 | - 46 | + 22 | + 14 | + 22 ¹ |

¹Estimated Details in Attachment 3, "Romania's Balance of Trade." [passage omitted]

2. Inflation by Month in 1992

| | I | II | III | IV | V | VI | VII | VIII |
|---|--------|--------|--------|-------|--------|-------|-------|-------|
| Percent of change compared to previous year | + 19.5 | + 12.5 | + 10.0 | + 4.7 | + 12.1 | + 4.3 | + 3.2 | + 3.4 |

Details in Attachment 4: "Inflation (Consumer Goods Prices)." [passage omitted]

3. Production by Year

| | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|--|-------|-------|-------|--------|--------|---------------------|
| Gross domestic product [GDP], annual percent of change | + 0.8 | - 0.8 | - 5.9 | - 7.4 | - 13.7 | - 16.3 ¹ |
| Industry | + 0.9 | - 3.2 | - 5.3 | - 16.6 | - 20.2 | - 23.5 ¹ |
| Agriculture | - 9.8 | + 9.1 | - 5.8 | + 10.4 | - 5.2 | - 12.2 ¹ |

¹Estimated, taking into consideration drought effects on agricultural production.

4. Unemployment (in thousands at end of each month in 1992)

| | I | II | III | IV | V | VI | VII | VIII | IX |
|--|-----|-----|-----|-----|-----|-----|-----|------|------------------|
| Unemployed | 313 | 369 | 384 | 357 | 396 | 431 | 479 | 495 | 520 |
| Percentage of the active civilian population | 2.7 | 3.2 | 3.4 | 3.1 | 3.5 | 3.8 | 4.3 | 4.4 | 4.7 ¹ |
| Unemployed, plus persons who are looking for work but are not eligible for unemployment assistance | 386 | 435 | 523 | 550 | 616 | 676 | 754 | 798 | 842 |
| Percentage of active civilian population | 3.4 | 3.8 | 4.6 | 4.8 | 5.4 | 5.9 | 6.7 | 7.1 | 7.6 |

¹Estimated.

**5. State Budget Deficit
(in billions of lei)**

| | 1990 | 1991 | 1992 ¹ |
|-------------------|------|------|-------------------|
| Deficit | 3.8 | 41.1 | 95.2 ² |
| Percentage of GDP | 0.07 | 1.9 | 1.6 ³ |

¹First nine months of 1992.

²The nine-month data are estimates. The national public budget has a surplus of 7.7 billion lei, as a result of the positive balances existing, mainly, in the unemployment, supplementary pension, and social security funds.

³In relation to the GDP on the basis of current prices; 2.1 percent of the GDP envisaged when the budget was approved.

6. External Debt (in millions of dollars at the end of the period)

| | 1989 | September 1991 | September 1992 |
|---|------|----------------|----------------|
| External debt | 199 | 883 | 2,127 |
| Portion due to daily needs of economy and people | — | 883 | 1,993 |
| Portion due to development | 199 | — | 134 |
| Foreign credits | — | 349 | 1,695 |
| Portion approved but not used for daily needs of the economy and the people | — | 124 | 716 |
| Portion approved but not used for development | — | 225 | 979 |

Details in Attachment 5, "The External Debt of Romania as of 30 September 1992." [passage omitted]

7. Internal Public Debt (in billions of lei at the end of the period)

| 1991 | 1992 (September) | |
|---|------------------|-------|
| Internal Public Debt | 170.4 | 292.1 |
| Portion due to state budget deficit | 41.1 | 136.3 |
| Portion for 1991 | 41.1 | 41.1 |
| Portion for nine months of 1992 | — | 95.2 |
| Portion for losses and nonperformance credits assumed from economic agents (Law No. 7/1992) | 129.3 | 155.8 |

8. Assuring Supplies of Primary Energy Resources for the Winter of 1992-93

| | Optimum supply = 100 | |
|--|----------------------|------------|
| | Situation as of: | |
| | 31 Oct 1991 | 8 Oct 1992 |
| Coal in thermoelectric power plants | 69 | 91 |
| Crude oil | 16 | 36 |
| Natural gases in underground deposits | 88 | 104 |
| Water in hydroelectric power plant lakes | 70 | 73 |

2. Stabilization of the Economy and the Supporting of Processes and Activities With Positive and Stimulating Effects for Economic Recovery**2.1. The Priority of the Objective of Stabilizing the Economy and a General Evaluation of Its Achievement**

The government has placed in the center of its economic policy the need to ensure that there is a stable economy (which will eliminate excessive fluctuations of prices, of the exchange rate for the leu, and of wages) by the reduction and elimination of the two fundamental imbalances of the period, reflected in the foreign trade deficit, financed by foreign credits for the everyday needs of the economy and the population, and in the inflation which still exceeds the levels considered acceptable in countries with stable economies. The priority of this objective for Romania, to which all other objectives, at the present time, should be subordinated, comes from the recognition of the fact that:

—the stabilization of the economy is a preliminary condition for any effective transformation of an economic system. From this point of view, the need for stabilizing the economy in the transitional phase through which Romania is passing is of strategic importance.

—without the stabilization of the economy it is not possible to ensure the restoration of the normal functions of the national currency and of confidence in it—an essential requirement for the development of the savings and investment policy and the basis for the resumption of economic growth, which represents the only chance for a real improvement of the living conditions of the population;

—the entire population benefits from a stable economy; groups which have been more or less put out of operation and profiteers of corruption and speculation are the main ones to benefit from an unstable economy. The essence of the process of economic stabilization, in the short term, is the adjustment of consumption to the

real possibilities of the economy; without this, it is not possible to emerge from the crisis. This process has political and social costs which can be reduced (but not avoided) by the social protection system. The crisis and the emergence from the crisis, not the stabilization process, are the factors which determine the political and social costs. Because of the complexity of the process of stabilizing the economy and the need for its political and social acceptance, the government has promoted a policy of stimulating activities with positive effects on the economy, to stop the decline in production.

The government believes that:

—It has succeeded in blocking the dangerous road on which the economy has set itself, namely, the continuing generation of large foreign trade deficits, taking concrete form in an increase in foreign debt for the everyday needs of the economy and the population. Romania is the only country in this geographic area which, because of its efforts and because of the indescribable deprivations suffered during the past decade to pay off its external debt, has the advantage of being able to use almost all its income from exports to obtain the necessary imports. This advantage began to be eroded considerably in the first two years of the transition period, because of major deficits created by the abrupt collapse of the internal economic system and the external regional economic system (the former CEMA).

Although it has stopped this dangerous course of the economy, the government is aware of the additional difficulties which have appeared but it is firmly convinced that this option corresponds to the fundamental interests of the Romanian people. The government encourages contracting for foreign credits (therefore, incurring foreign debts) which are connected with restructuring projects and with the introduction of new technologies and investments—the only ones which can ensure a positive future for the economy and the Romanian people;

—it has been able to enact number of policies to bring inflation down—which has been proven by the monthly inflation figures—without achieving, however, the estimated 1.5 percent monthly reduction (by the last part of the year). The principal reasons for the failure to achieve this objective completely are:

—the delay in obtaining external financing in the first part of the year (the political confusion about the date of elections was an influential factor) and the loss of the opportunity to achieve a balance exchange rate for the leu which was less than the level of 250-300 lei to a dollar. This balance was obtained later at a considerably higher level;

—the slackening of the pace of the propagation, in the entire economy, of the new balance exchange rate for the

leu, as a result of problems which surfaced on 1 September 1992 in connection with the ensuring of minimum conditions for the electoral process. This has led to the accumulation of new tensions on the goods and services market;

—the continuing existence of distortions in the price system, which will be eliminated in accordance with the program for the reduction of subsidies and the restructuring of industries, as well as the continuation of the drop in production. The continuing reduction of inflation (with the exception of deviations resulting from the propagation of the balance exchange rate for the leu and the reduction of subsidies) depends, in the coming period, absolutely, on the strengthening of financial discipline at the enterprise level, as well as the progress of structural reforms. The government calls attention to the fact that, in 1990 and 1991, the relative stability of the economy under the conditions of the disruption of the economic system was achieved through the following means:

—in 1990, by consuming Romania's international reserves and reallocating, to a great extent, internal financial resources from investments to consumption and increasing stockpiles for no precise purpose;

—in 1991, by obligating foreign credits for the everyday needs of the economy and the population and incurring a budgetary deficit, with a view to financing the minimum commitments for state expenditures.

In 1992 and the following year, either these resources for stabilizing the national economy, which were used in 1991, have been exhausted (the budget deficit cannot continue to be increased without negative effects for inflation and the standard of living) or their continuing use (that is, the obligating of foreign credits for the everyday needs of the economy and the population) is a policy which is in opposition to the medium-term and long-term interests of the country.

The current government has laid the foundation for the stabilization of the economy and has obtained the first positive results.

The current government must stress that the stabilization effort is in full swing in Romania and that the future government will have to continue this effort next year.

The government rejects the accusations made during the election campaign that it has subordinated the economy to the interests of international financial organizations which support the program for stabilizing the economy, with foreign credits.

It is not cheap demagoguery that will put us in an advantageous position in foreign economic relations but rather the creation of conditions and the effective cut-off of foreign borrowing for the everyday needs of the economy and the population. Only this policy can bring us to the situation where, when we negotiate a credit for investments, new technologies, etc, the foreign partner

will also be interested; also, we can negotiate the concrete commitment of the foreign partner to developing the capacity of the Romanian economy for producing hard currency income through cooperation and other means.

2.2. Supporting Processes and Activities With Positive and Encouraging Effects on Economic Recovery

The government rejects simplistic evaluations which have stressed only monetary policies to the detriment of policies which aim at the recovery of real economic processes.

Aware that adjusting consumption to the possibilities of the economy has political and social costs which cannot be borne for a long period of time, the government has supported by appropriate policies certain processes with positive and encouraging effects on the economy. This support has been given in accordance with the principles of the market economy and in relation to the potentials of the national economy. Thus:

—A system for stimulating export by the reduction of taxes, lower interests on loans, and access to credit resources has been introduced and developed. The Export-Import Bank of Romania, a newly created institution, specifically for the market economy, granted, as of 30 September 1992, export credits with a total value of 9 billion lei and had credit applications amounting to 12.6 billion lei, which it is analyzing. The Bank of Commerce also granted low interest export credits (amounting to about 30 billion lei). As a result, the value of exports during the first nine months of this year is 28.6 percent higher than during the same period last year. In this area, the implementation of the system for stimulating complex exports, with deadlines of more than a year for the repayment of export credits, must be finalized;

—A system was created for providing credits for spring and fall 1992 agricultural work and for storing agricultural products. This has made it possible, to a certain extent, to rise above the disfunctionality that appeared between the new structure of land ownership and the infrastructure of agricultural services (which was set up decades ago, to establish a dialogue only with cooperative agriculture and with state agriculture). In order to supercede this barrier, two foreign loans (from the World Bank and the European Bank for Reconstruction and Development) intended for the financing of private agricultural entrepreneurs and for the processing of their products were also put into effect; recently, the government put into operation a credit system for buying tractors and agricultural equipment.

The government cannot agree with the assertion, made during the election campaign, in particular, that it has not given appropriate attention to agriculture. On the contrary, the support of the state has been massive and continuing (details in Attachment No. 6), but insufficient in light of the effects caused by the fracture produced in agriculture by:

—the return of the land, a correct medium-term and long-term policy, but one with harsh short-term consequences for the organization and execution of agricultural work;

—the confusion, in many cases, of the liquidation of agricultural cooperatives, as economic entities, with the blind and destructive physical liquidation of their material base, with incalculable losses for the national economy and for those who have the right to receive parts of these assets, in the restitution process;

—the decrease in the potential of the national economy in the framework of the profound transformation of recent years. At the same time, the material and financial resources allocated, on a priority basis, to agriculture have not been as effective as they were expected to be because of disfunctionalities both in suppliers of products and services for agriculture and in structural institutions in the field of agriculture and in the financial and banking system.

—A system was established to support economic agents which present viable restructuring plans (for example, for the production of tractors).

—A system for ensuring a energy supplies for the winter was set up.

—A means for counteracting the tendency to restore and accentuate the blocking of funds in the economy has been put into operation.

The government is fully convinced that the stability of the economy can be assured on a medium-term and long-term basis, only by completing the structural reforms which have already changed and will fundamentally change the old economic system which has led us into the crisis. [passage omitted: Attachment 6, "State Aid to Agriculture"]

2.3. Policies Used in Stabilizing the Economy

As has been stated, the results obtained in stabilizing the economy, with the effort made, at the same time, for its recovery, have been obtained by an aggregate of monetary and fiscal policies as well as policies on the incomes of wage earners and on an exchange rate of the national currency which is appropriate for the market economy and the objective which is determined to be a priority.

The monetary policy was the first anchor in the effort to stabilize the economy, seeking to diminish—together with the fiscal policy and the policy of the income of the wage earners—the inflationist pressures resulting from the liberalization and selective adjustment of prices and wages and of movements of the exchange rate and shocks from the outside. The National Bank has exercised strict control over the expansion of internal credits. Prior to September 1991, credit control was realized on the basis of ceilings imposed on commercial banks. As a result of tensions accumulated by restricting credits, beginning in October 1991, the National Bank relaxed credit control.

In order to satisfy the urgent needs of agriculture, the credit ceilings imposed on the commercial banks were suspended. The expansion of internal credit was accelerated, also, as a result of the unification of exchange rates in November 1991.

Against the backdrop of unsatisfactory financial discipline on the part of the enterprises, the strict monetary policy has generated a considerable accumulation of indebtedness among enterprises. The relaxation of the credit policy in October and November 1991 has contributed, to a certain extent, to the simplification of the problem of the blocking of funds, which still persists at paralyzing levels for the economy. In accordance with the law adopted by the parliament at the end of December 1991, the overall compensation of payments has gone into effect—an operation which was finalized, in general lines, at the end of January 1992. In the framework of overall compensation operations, the back payments of economic agents effective and due prior to 31 December 1991 were settled, on the basis of goods delivered, work done, machines, equipment, and installations delivered for investments and related construction and installation projects, services rendered, received and accepted by the clients, as well as debts to the national public budget. About 1,777 billion lei of the 1,800 billion lei back payments existing at the end of 1991 were settled.

The compensation action was paid off initially by a supplementary expansion of internal credit by about 426.4 billion lei; later, as a result of deposits and payments, the supplementary credits were reduced to 314.6 billion lei.

In order to maintain control over inflationist pressures, the National Bank moved, in February 1992, to render unproductive the monetary expansion brought about by the overall compensation action. Recognizing the danger of a new blocking of funds, the government has taken measures to eliminate the real cause of inability to make payments and to strengthen the financial discipline of the enterprises.

In April 1992, the executive approved the regulation of the order of making payments in the economy and the obligations of economic agents suffering market incompetency. Later, on recommendation from the executive, the parliament adopted, in July 1992, a law on measures for the reimbursement of credits resulting from the compensation operation, which also stipulates the system of payments between economic agents and on measures to prevent situations of inability to make payments and to prevent another blocking of funds.

One of the measures for increasing the effectiveness of the monetary policy was the law adopted by parliament in 1992, according to which the enterprises' debts to the banks, which were contracted before 1991 and which no longer could be honored, became public debt. In this

way, the banking system was relieved of those debts which constituted a significant obstacle to the promotion of a viable credit policy.

In April, the government, together with the National Bank of Romania, implemented a set of measures to reduce the inflation. The tight monetary policy was continued in order to achieve a normal level of liquidity in the economy and, at the same time, the liquidation of arrears in payments. The essence of the new measures was the active utilization of the lever of the interest rate and the orientation toward positive real interest, as well as the acceleration of the speed of circulation of money and the increase in the importance of indirect instruments for controlling monetary resources.

The increase in the interest rate, beginning in May 1992, was the vital point of the new set of measures. This measure has resulted in:

- incentives for savings on the part of the people and for accumulations at the enterprise level;

- accumulations of monetary resources in the financial institutions, in order to finance economic growth in a noninflationary manner;

- the discouraging of stockpiles and the acceleration of the speed of circulation of capital;

- keeping inflation under control. The measures for making credit more costly have resulted in a decrease in the rate of inflation which, if it is positively influenced by other factors—such as a decrease in the price of food products during peak season—shows that the objective has been achieved.

The budgetary policy (of the revenues and expenditures of the state budget, the local budgets, and, on a larger plane, of all public funds, social security, the unemployment fund, special funds for health, education, research, etc.) was also subordinated, in this stage of the transition, to the priority objective—the stabilization of the economy.

To keep from serving as a factor for inflationist pressure, the budgetary policy has ensured:

- the maintenance of the budget deficit (consisting of expenditures which are higher than revenue from taxes, fees, and state participation in capital) within strictly controllable limits, that is, below 2 percent of the GDP. This has occurred because there is less chance that this deficit will be financed by noninflationary means.

- the continuing improvement of the fiscal system so that relations between the economic agents and the state budget and the other funds would be based on law, simplified, and transparent and their arbitrary character would be diminished.

At the end of 1991, the state budget deficit was 41.1 billion lei, representing 1.9 percent of the GDP. As a

result of excesses registered in other public funds, the national public budget had a surplus of 9.6 billion lei.

The difficulty of defining the fiscal policy for 1992 was caused by the following constrictions:

- the decrease in production in 1990 and 1991 reduced the economy's potential for fiscal revenues;

- the escape valve of the budget deficit was used for the first time in 1991 (and it saved the sectors financed out of the budget that year). In 1992, the problem of the doubling of the deficit, in comparable prices, because of the danger of hyperinflation, could not arise in any case.

- the sectors financed out of the budget, especially the social sectors—the army, internal affairs, etc.—required that expenditures in comparable prices be at least kept at the same level as in 1991 although, in some cases, the increase in the volume of activity had become evident and required supplementary resources (for example, the infractional phenomenon). The satisfaction of this requirement was compatible only under conditions of "zero" growth, which is ambitious but, nevertheless, possible to achieve in better domestic and international circumstances.

In the first nine months of this year, the budget deficit was 95.2 billion lei (about 2 percent of the GDP). To prevent a negative effect on inflation, this deficit, along with last year's deficit of 41.1 billion lei, were financed from the resources of the Romanian National Bank (95.2 billion lei) and from real—non-inflationary resources—(41.1 billion lei), representing the equivalent in lei of a portion of the governmental foreign credits received.

Although the sum of 41.1 billion lei does not exert inflationary pressure in the economy, nevertheless, it represents an inefficient allocation of resources by administrative means and the corresponding reduction of the monetary resources which could be used in the economy by means of an allocation based on market principles.

On 30 September 1992, the national public budget had a surplus of 7.7 billion lei, as a result of liquid assets occurring, mainly, in unemployment funds and social security budgets.

To improve the budgetary balance, measures were taken to combat tax evasion, including customs taxes, and to strengthen the monitoring of commitment and enactment of budgetary expenditures. The policy on the monetary income of wage earners in commercial companies with state capital and public companies, in the fourth quarter of 1991 and the first nine months of 1992, has constantly pursued the reduction of inflationist pressures by:

- reestablishing the economic relationships between the evolution of production in final form on the market and of productivity and the movement of monetary income; strengthening the role of economic arguments which take into consideration the potential of each

economic agent and of the national economy, in negotiating collective work contracts;

- maintaining a subunitary relationship between the increase in monetary income and the increase in prices, brought about by the correction of imbalances in the economy, required by the transition, under conditions specific to Romania, from one social system to another, against the backdrop of a general reduction of the level of production and of labor productivity and an increase in the free time of the wage earners. According to law, the coefficient for indexing is set by the government on the basis of consultations with the trade unions.

In this sense, the government reminds us that, on special occasions in 1990, especially in the first part of the year, wages were paid without production or for unsold stocks in many enterprises; in the first three quarters of 1991, as a result of the negotiation of collective work contracts, incomes were increased by about 60 percent, apart from any correlation with the evolution of production, of labor productivity, and of indexing ratios in relation to the movement of prices stipulated by law; in the first nine months of 1992, there was an approximately 20 percent increase in incomes as a result of the negotiation of collective work contracts, without any direct connection with production, productivity, and indexing on the basis of prices.

It is in the interest of the wage earners, the economic agents, and the national economy that the effort to re-establish economic ratios between the evolution of incomes and that of production and labor productivity be continued in negotiating work contracts for 1993.

In the indexing of incomes on the basis of forecasts for the evolution of prices, the method of indexing individual wages was used in 1991. This has been effective in reducing inflationary pressure, but, towards the end of the year, it came into conflict with the development of structural reforms—respectively, it limited the development of the labor market by restricting the rights of the directors of economic agents in making a distinction between individual incomes, in relation to the real value of each wage earner, and by limiting the elimination of the excess labor force in many economic units, on the basis of decisions made in each one of these units, by the units themselves.

In light of the deficiencies of the process of indexing individual wages, beginning in January 1992, the indexation of the income of wage earners was carried out according to a new concept, whose main elements are as follows:

- the indexation of the total wage fund of each commercial company with state capital and public company, in accordance with the anticipated rate of inflation. It was specified that the amount of the individual wages will be set within the limits calculated for the total wage fund. Also, it was stipulated that, in cases when the

actual payments exceed the total wage fund resulting from indexing calculations, a penalty tax would be levied;

—the establishment of the National Commission on Indexing for determining the coefficient for indexing the total wage fund. It was stipulated that the basis for the indexation calculations would be the situation as of October 1991, adjusted for each state enterprise in accordance with the evolution of certain specific efficiency indicators such as labor productivity. It was specified that 50 percent of the increase in profits per

1,000 lei of the wage fund would be used to increase the total fund intended for payments of wages.

The new method of indexing and the expectations that the interest rate would increase have resulted in a more cautious attitude in regard to the payment of wages. For the first quarter of 1992, wage payments were below the ceilings permitted by the indexing. However, in the second quarter, the ceilings were exceeded and the penalty taxes amounted to 1.8 billion lei.

The situation of the incomes of wage earners compared to consumer goods prices in the first eight months of 1992 is as follows:

Monthly Modification (in percents)

| Month | I | II | III | IV | V | VI | VII | VIII |
|--------|--------|--------|--------|-------|--------|-------|-------|-------|
| Income | + 10.0 | - 2.2 | + 20.2 | + 2.5 | + 13.0 | + 9.7 | + 2.9 | - 0.9 |
| Prices | + 19.5 | + 12.5 | + 10.0 | + 4.7 | + 12.1 | + 4.3 | + 3.2 | + 3.4 |

| Aug 1992-Oct 1991 | Aug 1992-Dec 1991 | |
|---|-------------------|-------|
| Income index | 201.6 | 167.5 |
| Price index | 243.2 | 192.9 |
| Ratio between the increase in income and the increase in prices | 82.9 | 86.8 |

It is absolutely necessary that the new government continue, in 1993, to apply an index to the income of the wage earners which responds to the effort to stabilize the economy, simultaneous with the perfecting of the system by moving from the indexation of the overall wage fund to the indexation of the average wage for the economic unit.

This shift maintains the trend toward the liberalization of the labor market and of the capacity of the management of economic units to differentiate between individual wages and, at the same time, it is a new opening, offering an opportunity for unlimited hiring of personnel, if production with guaranteed sales is expanded and labor productivity increases.

The selection of a realistic exchange rate policy for the leu was one of the most difficult and controversial decisions of the government during its administration.

The problem that the government had to resolve can be presented as follows:

—the exchange rate is an important element of the price system, but, prior to November 1991, it had not been liberalized. There was a major disfunctionality in the economy. On the one hand, the liberalization of internal prices continues while, on the other hand, no natural link with external prices was made by a balance exchange rate. This means that new balances between demand and consumption were being established in the economy and that resource allocation processes were being carried out, processes which were closer to reality but which were still distorted as a result of the use of an

exchange rate which involved a purely administrative allocation of hard currency resources. In addition, the operation of two exchange rates—an official rate of 60 lei to a dollar and the other rate of 200 lei to a dollar for transactions between banks—had introduced a new and much more harmful distortion since it facilitated the uncontrolled drain of hard currency resources and, in particular, the distortion of the cost of basic resources and the extension of corruption;

—in the hypothetical situation of the introduction of a balance exchange rate for the leu, the government would not be able to commit itself to keeping this exchange rate unchanged for even a year, in order to continue the effort of stabilizing the economy by this means, as has been done in other former socialist countries, since it did not have hard currency reserves or access to the volume of external resources which would be needed to maintain such an exchange rate;

—any step that the government took in a critical situation (underscored by the prospect of going into the winter without having set up stockpiles of some resources of raw energy) had to keep the road open to economic reform.

In these circumstances, the policy on the exchange rate went through two distinct phases:

1. In November 1991, limited international convertibility of the national currency was introduced, together with the unification of the two exchange rates—the official and inter-bank rates—at 180 lei to a dollar. The delay which appeared in the first quarter of 1992 in

achieving the approved external financing, which was taken into account in compensating for the foreign trade deficit, has led to the "unlocking" of the exchange rate for the leu, clearing up some of the problems encountered.

2. In May 1992, there was an "unlocking" of the exchange rate, resulting in the setting of the rate by auction, on a daily basis, on the inter-bank market. At the same time, exporters can keep all of their hard currency deposits in their accounts. This change of policy has had favorable effects for the external balance (at present, available hard currency resources amount to about one billion dollars) but it has had an unfavorable influence on the general level of prices and, therefore, on the effort to stabilize the economy.

During the coming period, in order to weaken the pressure which the exchange rate exerts on prices, it is necessary to consolidate this currency rate policy and also to strengthen:

—the control of the National Bank, as a monetary authority, over the movement of hard currency flows in accordance with the demands and principles of the market economy;

—cooperation between the Ministry of Economy and Finance, the National Bank, and the commercial banks in order to establish the necessary financial discipline at the level of the economic agents. Thus, for example, the behavior of those economic agents which are not paying their debts to the suppliers, the banks, and the state, while they keep large amounts of hard currency in their accounts and do not have recourse to the currency market to obtain the lei which they need, is incompatible with the provisions of the laws in force and with the requirements of the policy for stabilizing the economy; just as dangerous is the behavior of those economic agents which, when they obtain income in lei, do not pay their debts in lei but seek to buy hard currency. Such behaviors are aided by the practice of multiplying the number of accounts which an enterprise opens in different banks.

[20 Oct 92 p 2]

[Excerpts]

2.4. Direct Interventions for Remedying Imbalances in Critical Products Needed for the Population

The government was directly involved in solving physical imbalances in some products which, under the specific conditions of the Romanian economy, the new institutions and mechanisms of the market cannot handle.

We will discuss only the most important ones:

—ensuring energy supplies for the winters of 1991/92 and 1992/93. Under the critical circumstances and the external isolation during October 1991, the government found the only possible solution for withstanding the

winter of 1991/92, which left the road open for economic reform and even accelerated it. For the winter of 1992/93, as the data presented in point 1 indicate, there is a good supply of coal in the thermoelectric power plants but this situation is unsatisfactory in regard to the supply of crude oil for which there are hard currency resources and resources in lei. The slow pace compared to the pace that was planned was a result of the need to use hard currency resources and the fulfillment of minimum conditions to make sure that the purchase price is the most advantageous one for the country during the time that the commercial transaction is being carried out.

—ensuring the necessary wheat for bread up until the new harvest in 1993.

As of now, wheat supplies, plus certain imports which are in process, ensure that there will be enough bread to last until the end of March 1993. The activity of providing wheat from import for bread consumption during the April-June 1993 period continues. The necessary measures have been taken to prepare for the 1993 wheat harvest. (Details in Attachment 7)

—the distribution to the population of subsidized sugar purchased from producers in the country, and of imported sugar, has been resumed. There was enough sugar for the March-September 1992 period (the sale of sugar took place at the prices in effect during the respective months.)

Attachment 7
Status of Grain-Sowing in the Fall of 1992
Compared to the Fall of 1991
(in thousand hectares)

| | Wheat | Barley and Two-Row Barley |
|------------------------------------|-------|---------------------------|
| 1992 Plan | 2,500 | 1,000 |
| Sown as of 12 Oct 1992 | 603 | 490 |
| Percent of plan | 24.1 | 49 |
| Expected to be sown by 31 Oct 1992 | 1,800 | 1,000 |
| Percent of plan | 72 | 100 |
| 1991 Plan | 2,200 | 1,000 |
| Sown as of 12 Oct 1991 | 149 | 242 |
| Percent of plan | 6.7 | 24 |
| Sown as of 31 Oct 1991 | 688 | 497 |
| Percent of plan | 31 | 50 |

3. Progress in Structural Reforms and Putting Market Forces in Motion

The government continued structural reforms which have as their objectives the formation and operation of the new institutions, mechanisms, and behaviors of the market economy. This is the only way to:

—ensure the consolidation of the stabilization of the economy for the medium and long term. The stable economy becomes a day-by-day result of the new economic system;

—create the premises for the recovery of the national economy and, on this basis, the improvement of the living conditions of the population as a whole, along with the increasing of the possibilities of realizing an increased social protection system for disadvantaged groups in society;

—give the most concrete and most effective support to economic agents, in the sense that the regulations which society considers to be necessary in the organization and development of the market economy, on the basis of the guaranteeing of economic freedom, as well as the processes and activities which the state wants to encourage and the means by which it supports them. Only in such a context can the economic units be restructured in an effective manner, to the benefit of their employees and the entire society.

—restrain the factors in the system which encourage corruption and speculation.

3.1. Privatization and the Development of the Private Sector in the Economy

The development of private ownership in the economy is characterized by the following processes:

—restoration of the right to private property in agriculture by restitution;

—sale of housing units from the state housing supply, units constructed with the use of state funds;

—establishment of small private enterprises (small entrepreneurs);

—promotion of foreign investments in Romania and the association of commercial companies with state capital with commercial companies with private capital;

—sale of assets;

—privatization of commercial companies with state capital by the sale of stocks;

—removal from public corporations of activities which can be organized in the framework of commercial companies (and, therefore, can be privatized).

(a) Restoration of the right to private property in agriculture by restitution. In the application of the Land Law which provides, in essence, for the restitution of the land to the former owners, the situation is as follows:

| | 30 Sep 91 | 30 Sep 92 |
|---|-----------|-----------|
| Area of land to be put in the possession of the new owners, in millions of hectares | 9.0 | 9.0 |
| Area of land put in possession of the new owners, in millions of hectares | 1.4 | 7.8 |
| New owners, in millions | 5.0 | 5.0 |
| Owners put in possession of areas of land, in millions | 1.0 | 3.9 |
| Certificates of ownership issued, in thousands | 1,492 | 4,580 |
| Certificates remaining to be issued, in thousands | 0.4 | 123.8 |

As a result of the application of the Land Law, 80 percent of the arable land and 65 percent of the agricultural land is privately owned.

The small number of titles of ownership issued is a result of the technical difficulties involved in measuring the land, the multitude of court proceedings for the purpose of clarifying property rights and defining the activity of the persons charged with implementing the Land Law. During the past two weeks, the government carried out an extensive study to learn the real causes of this situation and to adopt measures to accelerate the issuance of titles of ownership.

(b) Sale of housing units to the state housing supply, units built with the use of state funds.

According to the 7 January 1992 housing census, there were 7,664,000 housing units in Romania—6,004,000 (78.3) percent were privately owned, 1,626,000 (21.2 percent) were owned by the state and 34,000 were in other forms of ownership.

It should be emphasized that, after December 1989, there were 2.1 million housing units in the state housing supply, built with the use of state funds.

The government has continued the policy of selling these housing units to the tenants who have been using them and the policy of setting up a special social protection system by selling them at the prices in effect when they were built (taking wear and tear into consideration). The status of these sales is as follows:

| | In thousands | |
|---|--------------|-----------|
| | 30 Sep 91 | 30 Sep 92 |
| Housing units | 2,067 | 2,067 |
| Housing units sold | 541 | 1,428 |
| Number of requests for purchase, in process of resolution | 759 | 432 |

Separate from these housing units, the state housing supply has about 259,000 housing units resulting from nationalization, confiscation, etc. A collective of specialists in the Ministry of Justice and the Ministry of Economy and Finance is analyzing the juridical status of these housing units and the possible solutions for transferring them to private ownership, with appropriate

protection for the renters, so that the new government can present a draft law to the new Parliament.

(c) Establishment of small private enterprises

The especially positive process of forming new enterprises with private capital is continuing. Their number is as follows:

| | In thousands | |
|---|--------------|-------------|
| | 30 Sep 1991 | 30 Sep 1992 |
| Private capital enterprises [PCE's] | 195.2 | 362.0 |
| PCE's that are family partnerships and independent individuals, organized in accordance with Decree-Law No. 54/1990 | 143.0 | 188.0 |
| PCE's that are commercial companies with private capital, organized in accordance with Law No. 31/1990 | 52.0 | 174.0 |

In order to continue to stimulate the increase in the number of private enterprises and to consolidate the economic potential and the growth of the contribution of the private sector to the improvement of the performance of the economy, strategies and programs have been devised for assisting small, medium-sized and newly established enterprises and conditions have been prepared for their implementation. Some 5 billion lei have been allocated for a fund to guarantee medium-term and long-term credits for the purpose of improving the access of private enterprises to the necessary financial resources. Also, the government has supported the establishment, as a nongovernmental organization, of the "Romanian Center for Small and Medium-Sized Enterprises" Foundation, which, for its activity, in addition to the funds allocated by the government, will also receive substantial assistance from the PHARE [Reconstruction and Development Aid for Poland and Hungary] program.

Three consultation centers for small enterprises have been put into operation with the assistance of the UN Development Program, the British government, and an American university.

(d) The promotion of foreign investments in Romania and partnerships between commercial companies with state capital and commercial companies with private capital.

On 30 September 1992, there were 16,223 commercial companies with state capital (compared to 6,104 on 20 September 1991), with a capital contribution of more than \$503 million. As a positive aspect, the large investments made by internationally prestigious firms (such as Phoceene de Metallurgie, Asea Brown Boveri, Bouygues, Coca-Cola, Colgate-Palmolive, Shell, Siemens, and others) should be noted. A characteristic feature, however, is the existence of a great number of very small foreign investments and a very small number of large investments with significant effects on the national economy. It is significant that 90 percent of the foreign investors are private individuals and only 10 percent are juridical persons; 0.34 percent of the foreign investors

contribute more than 58 percent of the foreign capital. Last year, there was an increase in the contribution of foreign capital:

| Year | Investments (in thousand dollars) |
|-------------------|--------------------------------------|
| 1990 | 112.4 |
| 1991 | 156.3 |
| Oct 1991-Sep 1992 | 298.3 |

There are many cooperation actions with foreign partners, carried out in commercial companies with state capital, which assist the restructuring effort and the penetration of foreign markets.

The process of forming partnerships between commercial companies with state capital and firms with private capital is encouraged by the government. The entry into operation of the State Property Fund and the Private Property Funds will ensure the strengthening of concern for the evaluation of commercial companies with state capital so that their contribution in association with private firms will be viewed properly.

(e) Sale of assets

On the basis of the Law on Privatization, the government has organized and supported the identification and sale of assets of commercial companies with state capital with the following results:

| | 30 Sep 1991 | 10 Oct 1992 |
|----------------------------|---|--------------------|
| Assets advertised for sale | — | 5,642 |
| Assets sold | — | 1,025 |
| For which: | | In millions of lei |
| Registration value | | 921 |
| | Value resulting from reevaluation of assets | 6,067 |
| | Assessed value of the assets at the auction | 8,565 |

The transparency and fairness of the sales process has been assured by the strict application of the methodology of selling assets.

It is significant that there have been no substantial disputes in regard to the sale of assets. For assets which were not sold in the first round of bids a second round was organized, with the participation of foreign investors. So far, foreign investors have bought three of the assets. The structure of the assets sold is as follows:

| Structure of Sold Assets | |
|-----------------------------|------------|
| Trade | 60 percent |
| Public catering and tourism | 24 percent |
| Industry | 6 percent |
| Services | 4 percent |
| Other Branches | 6 percent |

(f) Privatization of companies with state capital by the sale of stocks In the application of the Privatization Law, the government has ensured:

—the organization of and the beginning of operations in special institutions provided by law for the implementation of privatization by transferring to the population, free of charge, 30 percent of the capital of each commercial company and by selling the remaining 70 percent and by exercising, in the name of the state, the role of proprietor of the State Property Fund and of the Private Property Funds, respectively;

—the distribution of ownership certificates to Romanian citizens entitled to receive them. As of 30 September 1992, 12.4 million ownership certificates (75 percent of the total number) were distributed. This action will conclude at the end of November 1992;

—the preparation for privatization of 11 commercial companies, out of a maximum number of 30 companies which could be privatized, before the creation of the Private Property Funds, with the assistance of some consulting firms financed free of charge. So far, two commercial companies have been privatized in the following conditions:

—Ursus S. A. [Ltd], Cluj-Napoca, 51 percent of the shares of stock sold by public offering, which concluded on 31 July 1992, to Romanian physical and juridical persons, with the intention that the remaining 49 percent of the shares of stock will be sold to an investor capable of providing the company with access to modern manufacturing technologies and new sales markets for its products.

—Vranco S.A. [Ltd], Focsani, by the sale, after direct negotiations, of 71 percent of the shares of stock to a foreign investor (Incom-Italy), 20 percent of which will be handed over to the management of the company during a 10-year period, and by the sale of 29 percent of the shares of stock to the employees.

The future government and the special institutions specified by law to implement privatization will have to concentrate their efforts on three priorities:

—working out a methodology for the rapid privatization of relatively small commercial companies with state capital by selling stocks to the companies' employees and other persons;

—setting conditions for the use of ownership certificates in the privatization of relatively small commercial companies with state capital (for purchase of shares of stock);

—moving to a new stage in the exercising the state's property rights in the case of those large units for which the privatization process will last for a number of years. The essential objective is the improvement of the performances of the respective units which must carry on their activity under the rigors of the market economy and with the least possible influence of political factors in their management.

—(g) The removal from public companies of activities which can be organized in the framework of commercial companies (and included in privatization).

The government has tried to identify activities in public companies which can be organized in the framework of commercial companies, and which, accordingly, can be privatized.

In this regard, 99 commercial companies were set up by removing activities such as repairs, design, transport, and trade from 14 public companies (details in Attachment No. 8). [passage omitted: Attachment 8, "Commercial Companies Formed by the Detachment of the Activity of Public Companies"]

3.2. The Continuation of Price Reform

The price system in Romania has experienced great transformations during the past year, which have conferred on it a greater internal consistency and a better connection with the other significant "prices" in the economy: the exchange rate of the leu; interest and wages.

These transformations can be summarized as follows:

(a) the link between internal prices and external prices has been restored by means of the exchange rate of the leu which is set on the inter-bank market. The propagation in the entire price system of the new balance exchange rate for the leu is in the development phase (September-November 1992). This link has also been helped by a foreign trade which has become more and more unrestricted. This is the only way to achieve the objectives of the price reform—the restoration of the balance between supply and demand and the allocation of resources according to market economy criteria.

(b) a natural relationship has been achieved between the relative prices of goods and the price of money—interest, an essential relationship for restoring confidence in the national currency and restoring the role of money in the market economy and, as a result, for exerting a positive influence on the decision between present and future consumption by the protection of savings and of worth (the source of financing for investments). For this purpose, the interest level takes into account the evolution of the general level of prices.

(c) the process of eliminating distortions still existing in some prices has continued, in the form of price differences and subsidies.

Thus:

—On 1 May 1992, the existing subsidies for 14 consumer products and services were reduced by 25 percent and, for two products (school notebooks, as of 1 May of this year, and inter-city passenger transport with multi-trip farecards, as of 1 August 1992), subsidies were eliminated completely, by introducing special measures for the protection of disadvantaged groups (pupils and students whose parents have modest incomes; the possibility created for economic units to pay part of the transportation expenses of commuting workers);

—On 1 September 1992, there was an additional reduction in subsidies for 12 products and services which are still being subsidized. Subsidies have been eliminated completely for meat, meat products, sugar, food oil, and absorbent cotton.

The new government will have to continue these transformations of the price system so that it can convey correct information to investors, producers, and consumers in the process of making decisions about the efficient allocation of resources that affect economic growth, restructuring, and recovery.

The reform of the price system has revealed some constraints peculiar to the Romanian economy, with negative effects on the level of prices and on the population, to which the government has tried to give appropriate responses, such as:

—the big gaps between supply and demand inherited for some staples (such as meat and milk). For this reason, subsidies could not be eliminated in one step. Our experience (already) demonstrates to us that subsidizing consumer goods for the entire population gives rise to hideous forms of corruption which, however, are hard to prove (for example, the case of the sugar). There is only one solution: eliminating the “general” subsidy and giving compensations for the protection of really disadvantaged individuals;

—the existence in certain sub-branches of the economy of manufacturing costs which are higher than external prices. For some products, the extension of the level of processing leads to the loss of the comparative advantage existing in the area of domestic raw materials,

as a result of high energy consumption and noncompetitive technologies, with a low research and development content. The government has tried, as much as possible, to make sure that the excessive costs of products in some sub-branches are not transferred to other beneficiary sub-branches, so as not to distort the entire internal price system and reduce the competitiveness of the final exporters. For example, for the majority of products in the mining industry, the differences between the internal costs (higher) and the external prices (lower) are covered out of the budget. Also, for many iron and steel industry and chemical industry products (mainly those resulting from crude oil refining) internal prices which are higher than external prices are permitted because, otherwise, the economic units would have to stop production because of the impossibility of recovering costs through prices.

Naturally, the elimination of these anomalies is the purpose of the restructuring processes in the respective sub-branches which the government must support (for example, the closing of inefficient copper and lead mines, with special programs for providing new jobs for the employees affected, the development of those mines which can become profitable, the expansion of crude oil refining processes, as has been done up to now in Midia, etc);

—the progress which some neighboring countries have had in reforming prices and, especially, in linking internal prices with external prices, which causes the “siphoning” of products from Romania (for example, gasoline for passenger cars);

—the possibility that some economic units might recover any expenditure by means of prices, as a result of a monopoly position. An attempt to solve this problem has been made by monitoring price negotiations.

As has been stated, the government has attempted to find the best policy for responding both to the demands imposed by the stabilization of the economy (which presuppose the elimination of large fluctuations in prices) and to the demands for setting real prices (which, under the conditions of imbalances between supply and demand, lead to price increases).

Our experience until now, as well that of other former socialist countries, has responded to controversies regarding the liberalization of prices as follows:

—no one can question the need for the liberalization of prices since markets cannot begin to develop without free prices which move in response to the changes in internal and external supply and demand.

—no one can ask what should begin first—privatization or liberalization of prices—since privatization has proven to be a long process even in the former East Germany.

—the difference in the pace and consistency of the liberalization of prices is reflected, in the specific conditions of the break with the former economic system, in the level of waste of resources (delays and lack of consistency increase the waste of resources and accentuate corruption). The government stresses that current stage in the price reform requires the accelerate of reforms in the other fields of the economy and social life, including the process of restructuring public companies and commercial companies. These reforms have in mind, in particular, privatization, the promotion of competition, consumer protection, etc., and also social security, education, and health care, since many of the elements which should be included in the price of labor are still "hidden" in different social compensations which affects the wage-price ratio and comparisons and restricts the individuals' freedom to make a choice in these areas.

3.3. The Extension of the Liberalization of Foreign Trade

Foreign trade reform has put into practice—exclusively on the basis of juridical norms—the requirements and correlations set by the Constitution of Romania (Section IV—economy and public finances):

- free trade;
- protection of competition;
- creation of a favorable framework for utilizing production factors;
- protecting national interests in economic, financial, and monetary activity.

The practical measures promoted in the framework of an approved strategy aiming at the creation of a new system and of new foreign trade mechanisms were based on legal provisions and integrated in the government's program for economic and general social reform approved by Parliament. Thus, the measures adopted resulted in the crystallization of foreign trade systems and mechanisms specific to the market economy which aimed at ensuring:

- economic stability, because of the vital importance of foreign trade activity for the national economy as a whole;
- the stimulation of reform in other sectors of the national economy, by virtue of the economic, financial, and monetary connections of foreign trade with all the other fields of activity;
- privatization, by stimulating private initiative and competition in the context of norms uniformly applied to economic units, regardless of the form of organization and contribution to the capital.

The general objectives of the foreign trade reform have been, mainly:

- stimulating export;

—ensuring effective protection under conditions of competitiveness in domestic production;

—opening up the national economy, on a broad scale, toward Europe and toward the entire world.

These objectives are to be achieved on the basis of the principles and mechanisms of the market economy and of international norms.

In order to achieve the first objective of the foreign trade reform, the following incentives have been applied:

- liberalizing exports progressively by gradually reducing the number of products prohibited and limited for export;
- financing export and production for export by granting low-interest credits, as well as by guaranteeing and ensuring credits for export;

—exempting products intended for export from the payment of a tax on the circulation of goods, as well as the reinstatement of the respective tax for raw materials and materials incorporated into goods intended for export;

—partially or completely reinstating customs taxes levied on imported products and on products incorporated in export goods, by the drawback system, as well as the development of payment and processing operations;

—supporting the participation of Romanian foreign agents in international fairs and exhibitions by paying a portion of the expenses of these events;

—granting economic agents the right to keep and use all the hard currency from export activity.

In the framework of the objective of ensuring effective protection for production and for the domestic market, an entire package of measures has been promoted, to ensure the achievement of this goal by the specific means of the market economy, in strict accord with international agreements to which Romania is a party.

Thus, beginning on 1 January 1992, a new customs fees system was put into application. It is structured in accord with the codification and classification of the coordinated system which is utilized in the international sphere. This system aims at ensuring:

- the direct correlation between the Romanian economy and the economies of other countries;
- effective protection for national producers;
- a competitive framework for the development of trade.

In order to achieve effective protection of national producers, the customs fee will be from 0 to 40 percent, differentiated by groups of goods as follows:

- no fee or a very small fee for raw materials and basic materials;

—progressive fees, upto 40 percent, on the basis of the degree of processing of the product, maintaining a high level of customs fees for products of viable, potentially competitive industrial branches, as well as the utilization of these products in new industrial sectors with prospects for future development.

In addition, protective measures were put into effect to combat hostile competition resulting from import at the dumping price or subsidized items, as well as measures to protect life and health, public morality, national security, and the environment, and to limit the export of items which are scarce on the domestic market.

In this area, lists of goods prohibited for import and export, export quotas, as well as products subject to control to protect health and the environment and to avoid proliferation of nuclear, biological, and chemical weapons.

To protect the interests of Romanian exporters, a system has been organized to provide information on and monitor the level of prices on the international market, according to products and groups of products, providing free consultation services concerning the usual prices for a certain standard of quality on a certain market.

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[Text] The measures adopted during foreign trade reform both for stimulating production for export and of export, as well as for protecting the national producers and the domestic market were also aided by the currency system instituted recently.

On one hand, the effect of the currency exchange rate was to stimulate exports but, on the other, to discourage imports.

The measure instituted so that exporters could completely hold and have available the receipts in hard currency brought a growth in the producers' interest in carrying out exports.

Intense activity to revise the legal framework took place while carrying out the goal to have a broad opening toward the world economy in conformity with the principles of a market economy and new geopolitical realities. This activity specifically was carried out in the conclusion of more than 100 bilateral trade agreements in 1990-1992 and the start of negotiations for new bilateral and regional agreements.

Special emphasis was placed on reconfiguring the bilateral legal framework with the former socialist countries, particularly the CEMA members.

The new bilateral agreements concluded, including those with the independent republics of the former USSR (eight agreements) give status to the principles of payments in convertible currencies, the use of prices of the international market and application of the Most-Favored-Nations clause.

Negotiations on the agreement for Romania's association in the European Community and the agreement for a free trade zone with the AELS countries began and are taking place in order to integrate Romania into the European structures, which is the major goal of the foreign economic policy.

The main principle, already agreed on as negotiations are taking place, is the asymmetry of concessions and, as a result, having Romania benefit from what are quasi-total tariff, nontariff and other advantages immediately after the agreements are signed.

In turn, Romania will gradually grant similar concessions in an 8-10-year transition period.

Special attention also has been given to creating a bilateral legal framework with the United States, with the negotiations being carried out, resulting in signing of the Commercial Agreements.

The approach to commercial relations with the developing countries has been carried out on a selective basis and according to strictly economic criteria, depending on the potential of the particular markets and on the interest for Romania to recover from debts.

The entire reform process in the foreign trade area and its actual development have taken place in a context marked by both foreign as well as domestic difficulties. We may mention the following among the foreign influencing factors:

- The breakup of the supply and sales markets in the former CEMA member countries through abolishing the mechanisms specific to this system together with the drastic drop in these countries' economic activity;

- The Gulf crisis, with direct consequences for the possibilities of recovering from Iraq's debts, of providing basic raw materials for the Romanian economy and of the sale of certain Romanian products;

- Continuing to maintain a disadvantageous situation for Romanian products on the US market by failing to grant the most favored nation clause, having direct effects on the volume of Romanian exports on this market;

- The embargo against Yugoslavia, which has led to a complete halt in commercial exchanges with Serbia and Montenegro and carrying out trade with the other republics under difficult conditions;

- Persistence of the general recession in the developed countries' economies;

- The precarious economic condition in most developing countries.

Domestically, the drop in level of industrial production has brought a drop in the supply for export.

Despite all the difficulties encountered, as has been shown, in the nine months of this year exports based on

convertible currencies rose compared with the same period in 1991. The maintenance and even rise in exports were achieved without this activity being directly subsidized compared with the system of subsidies and multiple currency rates utilized before, with Romanian exports being confronted with the rules of competition and competitiveness of the international markets.

Compared with the exports recorded in the January-September 1992 period, which increased, the volume of imports stayed at practically the same level as 1991 (99.8 percent).

We should note that in the last three months this year, as an effect of the ratio between the volume of export and volume of import, the commercial balance has become excessive.

In this context, important changes appeared in the physical structure of exports and imports which are relevant for the viability by branches and subbranches of certain categories of products which have proven to be comparatively advantageous.

The top 10 products for export are in the following categories: wooden furniture (6.8 percent of total eight-month exports for 1992), unsaturated acyclic hydrocarbons (6.2 percent), petroleum or bituminous mineral oils (5.6 percent), chemical fertilizers (5.1 percent), bars and profiles (3.5 percent), aluminum and aluminum alloys (3.2 percent), hot laminates (3.1 percent), train cars (2.9 percent), readymade clothing (2.8 percent) and so forth.

In comparison, imports were oriented toward raw materials and basic agricultural food products as well as big consumer products to diversify domestic supply as, for example, raw petroleum or bituminous mineral oils (14.9 percent of total imports), electrical energy (3.3 percent), cotton (1.7 percent), ores and iron concentrates (1.1 percent), wheat (2.9 percent), potatoes (1.3 percent), sugar (.9 percent), synthetic and artificial fiber materials (1.1 percent), corn (1.8 percent), wool material (.6 percent), cotton material (.6 percent) and olive oil (.6 percent).

This structure also was caused by and due to the specific tools and mechanisms of the market economy which already showed the effects as well as by some protective measures without prohibitive effects and which led to a balancing of imports (instituting supertaxes and excise taxes on what are felt to be non-basic products or in the category of luxury items).

The share of the private sector in the total foreign trade volume in the January-September 1992 period was 29.3 percent compared with 11.2 percent in the same period in 1991, of which 29.4 percent was for exports compared with 14.2 percent and 32.7 percent were for imports compared with 9.3 percent.

The general legal framework for instituting a system of tools and mechanisms for a commercial policy specific to a market economy were carried out in practice in foreign trade.

At the same time, they may be detailed and regulated by stressing some of the more liberal or more protectionist aspects depending on the major political guidelines of the reform and the international atmosphere.

In the area of foreign economic relations we are facing major options:

—The political-economic decision to join the EC, which is urgently needed for Romania, even if we cannot obtain all the advantages hoped for in this stage; dragging out the negotiating process for the association would be untimely due to the negative consequences which would result in the long term;

—The same considerations as above are also valid for continuing the negotiations for the free trade zone agreement with the AELS countries;

—Continuing and intensifying the dialogue with the United States to change the current opinion about Romania and the need for granting the clause. Changing this opinion can be done by arguing facts and presenting more adequately the firm process of reform and consolidation of democracy. Creating a lobby favorable to our interests, which would counteract other interest groups currently demonstrating, with the aid of Romanians abroad and the business circles interested in relations with Romania would be capable of aiding the official steps of the Romanian authorities;

—Creating an adequate framework for Romania's interests in relations with the countries which broke with the former USSR, a function of the evolution of their integration process, with strict respect for the principles existing in the already concluded bilateral agreements.

3.4. Fiscal Reform

The government has continued the fiscal reform in the following main directions: Changing the tariff and tax system to correspond to the demands of a market economy and the need for us to come closer to the fiscal system existing in the developed European countries as well as the new relations provided by law between the central and local authorities; reconsidering the activities and actions financed from the budget in agreement with satisfying the state legal institutions and with reorganizing relations with the economic units; strengthening the ability of the fiscal apparatus to administer the tariff and tax system, including preventing and combatting fiscal evasion as well as managing public resources and the domestic and foreign public debt through the treasury system. We have continually sought to provide incomes for the state budget and other public funds which are basic to the policy of social protection and for carrying out the state's basic functions.

The measures adopted in the area of tariffs and taxes since 1 January 1992 have been conceived of to increase the simplicity and clearness of the tax system and to prepare for introducing a value added tax.

Toward this end the following improvements have been made in the tax on circulation of goods (which provides approximately 45 percent of budget incomes):

- The number of tax lists has been reduced from 20 to five;

- Excise taxes of 15 percent are being implemented (for cigarettes, alcoholic beverages and so forth);

- The number of payment terms for most products has been reduced from five (daily, every five days, every 10 days, monthly and quarterly) to a single term (monthly), the exception being for crude oil and natural gases, payments for which are to be made every 10 days;

- Currently the products and services for export are excluded completely from paying taxes.

The government has issued an ordinance to introduce the value added tax starting 1 January 1993. Also, standards to apply this ordinance were adopted by government decision. In correlation with the introduction of the value added tax an ordinance also has been issued on excise taxes on imported products as well as ICM on domestically produced crude oil and natural gases.

The system for taxing profit obtained by economic agents has been changed for the purpose of providing incentive to obtain additional profits and simplify calculation procedures. The old system, based on approximately 60 classes of taxes of between 2.5 and 60 percent, has been replaced by a much simpler system by which profits of up to 1 million lei are taxed at 30 percent while those greater than 1 million lei are taxed at 45 percent.

For the new types of incomes which have appeared as a result of initiating and placing into operation certain market mechanisms the necessary regulations have been worked out. In this regard we may mention the decisions adopted on establishing taxes on dividends for the commercial companies and a tax on amounts obtained by selling the assets of commercial companies with state capital.

Levels of the excise tax lists were raised in order to lessen the orientation of most economic agents toward importing consumer goods, including in the luxury category, which are not strictly necessary.

It has become mandatory by government decision and by Ordinance 23/1992 for economic agents to draw up registration statements with a view to ascribing to the fiscal code with the goal of reducing the opportunities to extend the underground economy and also penalties have been made more severe. Also, in order to discourage payment delays by some economic agents in the amounts owed the state budget, the levels of penalties

were increased from .05 percent and .1 percent of the amount owed per day to .3 percent per day. Starting 1 September 1992 this is equal to having the increases for late payments get in line with the level of interest being used by the banks.

For the purpose of eliminating barriers in the way of the privatization process in selling the enterprises' assets, the stamp tax for transcribing property transfers into the public records was reduced from 16 percent to .02 percent of the value of the asset obtained.

In the same period the government reviewed, notified and placed for approval of Parliament a number of draft laws aimed at changing certain government decisions on taxation policy given on the basis of Law 36/1991 and Law 56/1991.

In conformity with the requirements resulting from the general strategy of decentralizing authority, the Ordinance on Local Tariffs and Taxes was issued; it will create conditions for raising the degree to which the budgets of the local authorities are self-financing.

On the basis of the new regulations the local councils may increase tariffs and taxes 30-50 percent depending on the specific conditions of each locality and the citizens' contributing power. At the same time, new taxes may be set for newly established public services and special taxes, with time limits, which are received only from residents who benefit directly from the services for which the particular taxes were begun.

In 1993 the main goal of fiscal reform will be to prepare for the introduction of a tax based on a person's total income, a goal imposed both by the continuing differentiation of individuals' monetary incomes, by the spreading of holding more than one job and requirements of fiscal equity as well as by the need to move to a greater extent to carrying out social programs aimed at families with modest incomes.

Full demonstration of restrictions imposed by the effort to stabilize the economy in 1992 brought a careful and preventive management of state budget expenses and expenses from other public funds with a view to keeping the budget deficit within the parameters forecast. Preparation of the 1993 draft budget requires an analysis of all sectors financed completely from the budget or which receive a portion of their funds from the budget in order to identify the sluggish areas (activities which no longer have meaning or effectiveness but which use public funds through the existing structures), to know the real dimension of the new requirements for funds so that we prevent the trend toward an unjustified growth in the number of salaried workers in the public sector and to establish performances and criteria according to which the budget resources are to be issued for economic agents.

In the governing period, development of the tariff and tax administration apparatus as well as financial control institutions, particularly the Financial Guard, which has

become a more and more notable presence through its actions, has made an increasing contribution to the good progress of the fiscal system. Measures were taken recently to reorganize the customs system, to reestablish regional customs, to increase the number of customs agents to correspond to the higher volume of activity and the importance of this organ in the market economy.

3.5. The Development of the Banking System

The process of restructuring of the banking system, begun at the end of 1990, has continued during the period under analysis here (October 1991 to October 1992), both at the institutional level and the operational level.

At the institutional level:

(a) Following approval by Romania's Parliament, the Romanian National Bank's administrative council moved to establish the main guidelines for the state's monetary and currency policy and to regulate the activity of the banking companies. Having this organ enter into operation allowed the Romanian National Bank to fully carry out the mandate entrusted to it by law;

(b) Establishment of new banking companies continued. Three banks entered into operation during the September 1991-September 1992 period (Rebirth of Romanian Credit, the Post Bank and the Romanian Import-Export Bank) and, without entering into operation, another two banks were authorized (the Liberal Bank and the Romanian Trade Credit Bank); another eight banking companies are in various stages of being set up in conformity with the legal procedures required;

At the operational level:

(a) The National Bank adopted a number of regulations for the good operation of the banking system which are specific to a market economy:

—Abolishing debt ceiling which were set up administratively for each bank separately and adopting a flexible mechanism for refin

ancing the banking companies similar to those used in the developed countries. Introducing minimum required reserves as a means of protecting the banking clients' deposits and of indirectly regulating the economy's monies;

—Adopting regulatory principles for operation of the banking system: norms for authorizing banking companies, supervising the banks' currency positions, minimum capital and so forth;

(b) Consolidation of the financial situation of the banking companies was a priority both for the Romanian National Bank, which issued prudent regulations in this regard, as well as for the government, which aided normalization of balances and rise in the banks' capital with state capital, as follows:

—Law 7/1992 on financial coverage of the nonregulated debts of the Romanian state of 31 December 1990 and having the state and commercial banks take over the losses recorded in 1989 and 1990 by economic agents with state capital and nonperforming bank debts approved to be taken over a large volume of debts of the economic agents which had been nonperforming in the account of public debt, with favorable effects both for the economic agents, relieved of these debts, as well as for the commercial banks which are significantly reducing uncertain investments;

—In particular, using the resources resulting from the reevaluation of certain state assets, the government approved an increase in the banks' capital with state capital, with payments made in the last 12 months representing 67 billion lei including state participation in the capital of the Eximbank and the Post Bank);

—In the October 1991-September 1992 period the total funds belonging to Romania's commercial banks (formed from capital paid in, risk capital and reserve funds) rose 125 billion lei. Currently the capital accounts of the commercial banks are covering 12.4 percent of the payments in nongovernment credits compared to just 7.4 percent a year ago;

(c) The positive evolution of the financial situation of the Romanian banks generally mean, that the balance for 1991 for one of them—the Romanian Foreign Trade Bank—is to be certified soon, in accordance with international standards, by a prestigious foreign firm of experts, which will allow the bank to be among the top 500 institutions of this type in the world;

(d) Although still in an incipient stage the interbank market is making its presence felt more and more in the transfer of temporarily available monetary resources, at the same time there existing the potential for determining an interbank interest rate according to the mechanisms of the market;

(e) Connecting four big Romanian banks and a foreign bank branch in Romania with the SWIFT computerized banking information transmittal system, along with simplifying relations and making them cheaper, is still a forward step in integrating the Romanian banking system into the international financial market.

3.6. The Labor Market

The government goals for institutional development of the labor market primarily aim at improving the dialog with the trade unions. So in December 1991 the National Indexing Commission was established, joining trade union representatives, employers, and the government.

This organ was established in order to contribute to forming a consensus on the policy for salaried employees' incomes. Primarily the commission's duties aim at agreeing on a minimum salary for the economy and the indexing coefficient of salaries, pensions and

other transfer incomes. All government decisions on income indexing were discussed beforehand in the commission.

The government participated in discussions between employers and the national trade union confederations on concluding collective labor contracts. One may say that concluding the first collective labor contracts at the national level—in the spirit of the legislation adopted at the start of 1991—is an important step in the direction of setting up institutional mechanisms specific to a market economy. The Law on concluding, carrying out and breaking an individual labor contract is also being advised upon.

Activity has been organized in the labor force offices against the backdrop of economic changes depending on the diversification and increase in complexity.

Three basic programs were developed in 1992 for the following:

- Reorienting the available labor force in proportion to the requirements of the economic agents in the private sector;

- Improving vocational training for all personnel categories;

- A system of indicators for diagnosis and prognosis of labor resources.

The government took action to carry out its role as state owner under better conditions in the leadership of the commercial companies with complete or partial state capital, to specify the competencies and to increase responsibility in adopting decisions. Law 78/1992 to amend Article 212 of Law 31/1990 clarifies the relationship of representation of the interests of state capital, based it on a mandated contract (whose content-framework was regulated by Government Decision 493/1992). Exercising the authority as owner was separated from executive leadership and limited to three the number of persons empowered as mandated to represent the interests of state capital; regulations were adopted to prevent corruption and disloyal competition of the members of the administrative council.

Limits were eliminated in establishing individual salaries within the independent administrations and commercial companies with state capital, together with keeping control over the evolution of expenses with the labor force in order to prevent inflationary pressures and tendencies to decapitalize the economic units by giving incomes without their also having financial opportunities.

In the area of specific legislation improvements were made to Law 1/1991 on social protection for the unemployed and their vocational reintegration, extending unemployment benefits from 180 to 270 days and the share of participation of economic agents in creating an unemployment fund was increased from 4 to 5 percent; at the same time, for persons whose unemployment

benefits period has expired, legislation was passed to provide "aid64 allocations" for 18 months maximum, with the opportunity for becoming qualified and requalified and these persons are being helped continually to get a job (Law 86/1992 on amending and completing the law on employing 1992 graduates of higher, secondary school and post-secondary education was worked out and approved); it provides incentives for economic agents who hire these graduates, giving them from the unemployment fund 70 and 60 percent monthly, respectively, of the indexed gross minimum salary for the economy for a nine-month period (Law 87/1992).

The manner in which vacant positions are administered and information on their structure and number was organized in various ways, including in the mass media.

Many normative acts were worked out on establishing salaries in 1992 and indexing them, giving attention to providing a gross minimum salary, to appropriate price-salary ratio and to intersectional relations in the area of setting salaries.

4. Reform of Public Administration

The Government: Partner in Dialogue With Other Public Authorities and With Society

A practice of having powers in the state operating on democratic bases already exists; the government's relations with other public authorities (Parliament, president, court power) have developed normally, with experience having been gained in this area.

We feel that both the institution of the ministry with its relationship with Parliament as well as each ministry separately is a partner for a clear, open and effective dialogue with the legislative body.

In December 1991, besides the joint government-trade union commissions, another consulting organ was created to carry out a three-sided employer-trade union-government dialogue: the National Indexing Commission.

The government made efforts to aid in the formation and consolidation of nongovernmental organizations as dialogue partners of the administration. Notable results were recorded in this regard in the area of small and medium-sized enterprises and consumer protection.

In the area of consumer protection the government adopted an ordinance which created a dynamic institutional system in which the newly created Office for Consumer Protection, a government organ, is to help associations with information, expertise and financing in order to protect the consumers, with duties to be transferred to these organizations as they consolidate.

The Government: A Decisionmaking Machine

The government's role is to carry out Romania's domestic policy and head public administration. The

government's normative activity is decisive in carrying out its jobs and implementing the laws.

The jumping off point for this activity is either the initiative of the ministries in their area of activity or a goal which the government establishes for one or more of its ministries. A procedure was established in July 1992 through methodological specifications to ensure careful analysis of the regulations being adopted by the government; it ensures closer collaboration between the ministries involved in implementing government decisions and an increase in the cohesiveness of the decision-making process.

Structure of the Ministries

In this regard the use of delegating authority at the lower echelons has been sought for the purpose of greater effectiveness and efficiency of the administrative act. The number of intermediate links between the ministry and executive departments was reduced (around 40 percent of the state secretaries and subsecretaries).

Important ministries were reorganized. Special attention has been given to the Ministry of the Economy and Finances, which has enjoyed foreign assistance to increase its ability to manage the budget and fiscal process.

The Public Employee

The government adopted a draft law on the public employees which has been sent for parliamentary discussion.

Reform of the system for managing human resources still is in an incipient phase. Currently there is no special statute for personnel working in the central or local public administration or an organ which provides management of human resources. Each ministry or central/local organ employs its personnel in accordance with the law (the Labor Code) and with government decisions on employing personnel according to criteria of competency. Together with having Parliament adopt this law, major changes can be made in this area, also, with special effects in the plan of efficiency of the administrative act.

We also should note the appearance of the first graduating class of specialists with postuniversity studies in the area of administration from the School of Higher Political and Administrative Studies.

Local Public Administration

We also should mention that a number of new democratic principles specific to the legal conditions were established by law in local public administration. The most important normative act in this area, after the Constitution, is the Law on Local Public Administration, which establishes the principles which are at the basis of local public administration in the territorial administrative units: local autonomy, decentralization of public

services, eligibility of the authorities of local administration and consulting with the citizens in the major problems of local interest.

The process of reorganizing public administration has seen two stages, with the reference point being the local elections of 9 February 1992.

In the first stage the reform consisted of conceiving of and adopting a legal framework defined in the two organic laws: Law 69/1991 on Local Public Administration and Law 70/1991 on Local Elections, as well as in a number of government decisions subsequent to them.

In accordance with these regulations and on the basis of not only a political but also material-technical effort it was possible to create new authorities for local public administration.

The elections February 1992 permitted the election of local councils and mayors in accordance with the law as independent authorities operating and solving matters of interest to the community, as a direct expression of the will of the voters, who could choose from a particularly broad spectrum of programs presented by parties and political formations or independent candidates.

County councils and authorities of local public administration were also elected; they were intended to provide coordination of the local councils with a view to carrying out public services of county interest.

Proceeding from the idea that the government's duty is to protect the country's interests as a whole within certain limits, to enforce or apply appropriate decisions and establish minimum standards or restrictions, the institution of the commissioner was established as a representative of the government in the counties; he carries out both the job of supervising over respect for the law and defense of the national interests as well as the job as chief of the decentralized ministerial services in the territorial administrative unit.

In this first stage, in exercising its duties the government has taken action in two main directions which, on one hand, have sought to achieve the political-organizational and legal framework for applying the principles of the reform whose final goal is local elections as well as up-to-date management of local administration in the period when provisional authorities are operating.

In the second stage, the one following local elections, the reform took on a new dimension, specifically ensuring that new authorities of local public administration are set up and, in particular, helping them operate according to the constitutional principles governing their activity.

A special problem which required and still requires careful concern is in providing the conditions for real and effective autonomy, primarily by providing the material and financial opportunities for exercising autonomy.

From this viewpoint we should emphasize two of the actions carried out: moving the local economic agents to fall under the authority of the local or county councils, according to the case, which has been completed; deducting the assets which belonged to the state and transmitting them into the assets of the local communities, an operation now being carried out and fitting into the timetable adopted.

Also worked out, together with the competent authorities, was the draft law on local tariffs and taxes, forwarded to Parliament but not yet adopted, a fact which has brought the government to call for a temporary resolution through an ordinance.

In the activity carried out to apply the reform, the government has followed two main directions of action incorporated in the same goal: providing the necessary legislation viewed as a condition for establishing the democratic institutions specific to the legal status as well as providing the personnel needed for the operation of this institution by working out training programs, using foreign aid in this area, also.

In this regard the following may be viewed as goals sought and achieved:

(a) Establishing the authorities of local public administration through free and correct elections;

(b) General leadership of the public administration by the government in accordance with its governing program which, by parliamentary approval, has become mandatory for all authorities of public administration, regardless of the level at which this authority has been carried out;

(c) providing autonomy of organization and operation of the local councils and of mayors;

(d) Decentralization of public services and having them be more in touch with the citizens' needs;

(e) Providing the resources needed for operation and achievement of the goals proposed through their own means and the opportunity to have these resources available according to the interests of the community;

(f) Subordinating all activity of the local public administration authorities to the law;

(g) Providing the highest possible degree of effectiveness and efficiency in managing the interests of the local community.

In accordance with the goal established, which was management of problems of local public administration under leadership of the prime ministers, the Department for Local Public Administration carried out its activity in the following main areas: coordination and checking of local public administration, coordination of decentralized ministerial public services in the counties, promotion, notification and support of legal regulations,

coordination of and solution to social problems of protecting minors, guiding the activity of legal status as well as aiding in establishing and developing international relations of the authorities of the local public administration.

Special attention was given to training specialized personnel within the authorities of local public administration.

A distinct concern has been participation in the technical preparation for and progress of electoral actions, referendums, local elections, parliamentary and presidential elections and with the department's involvement being a major one.

In the coming period we feel that the government's attention and, implicitly, that of the Department for Local Public Administration should be directed toward the following:

(a) Working out proposals to amend Laws 69/1991 and 70/1991;

(b) Connecting the legislation governing the activities in the local public administration with the new structures created. In the absence of the Legislative Council, we feel it would be useful for the government to have the ability to issue ordinances in at least several areas: Legal status, higher authority, protection of minors, a system of authorizations and other similar areas;

(c) Organizing in the structure of the central administration an institutionally empowered authority to carry out guidance and coordination of the local public administration authorities, primarily in the areas where they fulfill state duties and which would permit them to take action as a coordinator or arbiter, according to the case, and to provide conformity of the decisions made by other government institutions with the goals of the reform;

(d) Organizing both the problems of the local communities as well as of the institutions holding the means to fulfill and provide authority, that is, the police, within the system;

(e) Establishing a permanent office for elections with territorial representation;

(f) Creating a structure to coordinate the public services of local interest;

(g) Organizing a coherent and unified system to train personnel for local public administration through the organization of appropriate institutions;

(h) Amplifying the reform strategy in local public administration, a component of economic, social and political reform, by RPeestablishing long-term goals;

(i) Analyzing the information presented by the commissioner of county councils regarding the activity of the public services of the ministries and other authorities of

the central administration with a view to identifying the way this activity corresponds to the general goals set by the government;

(j) The report on the economic, social, cultural and administrative status of the county which is presented to the government by the commissioner as well as conclusions and directions of activity established on this occasion will be the basis of interdepartmental programs meant to lead to solving the county's main problems;

(k) Organizing the annual inventory of the assets of the communes, cities and counties. It organizes the way the local public administration authorities are proceeding to manage and utilize them;

(l) Removing goals from the program of the main projects and activities in the county as worked out by the administrative commission which surpass the county level of interest and which require help and coordination from the institutions of the central public administration.

5. Adaptation of the Social Protection System to the Requirements of Transition and Possibilities of the Economy

In 1992 the government continued its policy to reform social protection with regard to moving from an equalitarian concept, based on a certain ideology and political dictate and dependent on a totalitarian state, toward a concept oriented toward aiding those who need it, in various ways, with participation and under the control of civilian society. Democratization of social life has brought out social groups in difficulty in the previous social system which, having been treated as a whole in the past, have now reached their limits.

The move to a market economy, along with a great differentiation in incomes, has introduced new social risks which society must take over. All this deeply changes the system of social protection.

The social security system, which mainly includes pensions, evolved, on one hand, in the direction of correlating monetary services with the evolution of prices and, on the other, by extending the system to certain social categories whose own systems did not prove to be viable.

Thus:

—Compared with the ratio of 75 percent set between the minimum pension and the indexed net minimum salary, minimum pensions in September 1992 represented between 79 percent for pension at the age limit but incomplete seniority and 108.7 percent for pensions at the age limit with complete seniority, compared with 67.1 and 82.8 percent, respectively, in December 1991.

—In September 1992 the ratio between average pension at the age limit and complete seniority and the indexed average salary was 58.7 percent compared with 50.1 percent in December 1991.

—Correlation of the level of pensions and other social security services with the evolution of consumer prices by using indexing and compensations, representing 32.9 billion lei from the start of 1992.

—Substantial increase in and indexing of supplemental pensions resulted, which led to an increase of 4.3 times compared with December 1991.

—Extending the component elements of the calculation base which is taken into consideration in setting the pension and other social security services.

—Providing financial balance and equity between the social security contribution and the proper rights by differentiating the share of social security depending on labor group.

—Creating a new social security system for the peasants which is enough for the current structure of agricultural ownership, with 1 million peasants benefitting from it with an additional effort totaling around 9 billion lei coming from the state budget.

—Including certain sectors in the state social security system whose own systems could not operate under current conditions, such as members of certain creative unions and the Romanian Orthodox Church, representing around 15,000 people.

The social security system currently covers more than 4 million people, with a budget of around 450 billion lei.

Social protection of the unemployed and their vocational reintegration, a new social phenomenon, powerfully impacting the population, has meant a continuing effort to change legislation and the resources for unemployment protection.

—In the area of specific legislation, improvements were made to Law 1/1991 on social protection of the unemployed and their vocational reintegration, extending the length of time unemployment benefits are issued from 180 to 270 days and the share of economic agents' participation has increased from 4 to 5 percent; in addition, for persons whose period for receiving unemployment benefits has expired, "aid allocations" have been legislated for a maximum of 18 months, with these people being helped continually to fit back into work.

—In order to prevent unemployment among 1991 graduates, economic agents and institutions which hired graduates have been given incentives, covering a portion of the proper salary from the unemployment fund, an amount representing 274 million lei for around 15,000 graduates. The law on hiring 1992 graduates of higher education, secondary and post-secondary schools was also adopted; this has given incentives to economic agents who hire these graduates, giving them from the unemployment fund 70 and 60 percent monthly of the gross minimum salary indexed for the country for a nine-month period.

—The administration of job vacancies was organized and various ways were found to disseminate information on the type and number of positions, including advertising in the mass media. Some 87,900 unemployed were hired for these existing vacant jobs in all sectors of the economy, of which 72,100 were workers.

—The difficult energy situation in the winter of 1991-1992 led to supplying 3.6 billion lei from the unemployment funds for more than 500,000 employees in 900 economic units which were affected.

—Courses for qualification and requalification were organized for the vocational reintegration of the unemployed both through territorial labor and social protection directorates as well as through specialized centers. In 1992 the training of more than 62,000 people was forecast, with 49,100 having been covered until now.

—Opportunities for working abroad have been sought in order to employ the labor force. In this regard conventions and understandings with the German Government were concluded, through which 260 Romanian firms concluded working contracts in Germany, in which 8,898 Romanian workers are currently participating.

—Aid, aid allocations and expenses for qualification and requalification have been paid from the unemployment fund, totaling around 34 billion lei, from which 800,000 people have benefitted.

Social Assistance

Social assistance for some disadvantaged categories has taken place through specific measures, such as:

—The indexing of allocations for children in proportion to the rise in prices, from which 5.64 million children have benefitted, with total allocations representing 37.5 billion lei by 30 September 1992.

—The program for social integration of youth was applied this year, the goal of which was to establish faster adaptation to the structures of the market economy, also being supported by a national network of centers for the vocational training of youth.

—Scholarships given for pupils and students this year represent 10.5 billion lei; once the new school year began the allocation was introduced to buy school supplies worth 2.1 billion lei; these forms of social protection directly intended for those who need them must be developed, being the only means able to offer real protection.

—Some 7.8 billion lei for this year are forecast for the fund to pay half the price of prescription drugs for people included in the social security system and members of their families.

—Development of a system of social aid cafeterias to help those with low incomes or who are in difficult situations; free meals valued at 259 million lei were served in the 97 cafeterias, with 9,500 places.

—Assistance for the handicapped covers 68,000 people in institutions and 350,000 who are not institutionalized. New laws were adopted with provisions for social protection of the handicapped and the amounts allocated for these purposes up to September 1992 totalled around 33 billion lei.

—Some 1.2 billion lei were allocated from the state budget to improve some social assistance services, such as allocations for support and family placement (5,800 children), occasional aid for the aged (10,000 elderly), allocations for 42 centers which accept and resocialize minors (8,000 children).

Special attention given to hero-martyrs who fell in the struggle for the victory of the revolution, the wounded, and their families. Application of the legislation adopted has been sought, by which monetary amounts totaling 284 million lei have been provided and the best possible treatment and recovery conditions have been provided for the wounded.

Other Forms of Social Protection

—Subsidizing certain basic products and services for popular consumption under the conditions of a budget deficit, which represents 403.5 billion lei for all of 1992; of this amount, 162.8 billion represent subsidies for food products, 223.6 billion for fuels, electric energy, urban transport and 14.2 billion for interurban transport.

—Keeping rent levels unchanged for homes built from state funds.

—Selling homes from the state rental fund to the tenants at advantageous prices. Under these conditions, 887,000 apartments were sold in 1992.

—Another form of social protection is having the Savings and Loan Bank cover the difference collected for credits given for housing construction and the actual level of interest, which represents more than 11 billion lei in 1992.

—The system of social protection still is being powerfully affected by an equalitarian concept. The process of economic liberalization will stress the differentiations in incomes, requiring a more differentiated approach both with regard to the beneficiaries of social protection as well as the means for seeing them through difficult times in ways best suited to the individual's need for protection.

A number of social protection services, although legislatively regulated, have not been provided completely due to the lack of financial resources. For that reason, together with reform of the system, there still is a difficult problem of financial resources for social protection, which is putting pressure on achieving true social protection and means eliminating an overall approach, which has proven to be inadequate.

6. The Answer of a Real Economy

Efforts to stabilize the economy and structural reforms have their rationale only to the extent to which the real economy begins to answer by correcting its activity and improving the citizens' living conditions.

However, it is clear and recognized that the basic transformation of an economic system in crisis requires time, while the benefits of this transformation do not appear from the beginning. The appearance of positive results of the transformation is made more difficult by the abrupt rupture of the old economic system and disintegration of regional economic relations organized within the former CEMA.

Returning to the figures presented in Chapter II, point 1 of this report, we can specify the main answers of a real economy to changes in the system; they are as follows:

Positive Answers

(a) Increase of exports in 1992 compared with 1991, which has permitted around a 50-percent reduction in the effort forecast for foreign financing to cover the deficit caused by imports for the daily consumption of the economy and the population;

(b) Evolution of controlled inflation, with a visible tendency to reduce (when measures to correct certain imbalances do not occur in the system as, for example, reducing subsidies, connecting with foreign prices through a balanced currency and so forth);

(c) A dynamic increase in the sector of small enterprise owners; spreading out the enterprise-owner behavior;

(d) Emphasizing the interest of foreign investors and foreign trade partners;

(e) Reorganizing certain independent management and commercial companies, favored and requested by the new economic environment; the main criterion for reorganization is efficiency and competitiveness (there are many examples in the tractor, bus, furniture, and readymade clothing industries);

(f) Achieving a balance between the social cost of reform, which evolved within the limit of supportability and the amplitude and rate of organizational changes.

On this basis, Romania is currently in a situation of being able to enjoy complete foreign financing agreed upon through agreements concluded with international financial organizations as well as with Group 24 (meeting performance criteria). The new Parliament and the new government, having open foreign financing for the winter, have the opportunity to discuss in timely fashion any changes in the programs for stabilization and reform that desire aid from foreign resources as well.

Remaining Negative Answers

(a) The continuing production decline and decline in gross national domestic product (according to preliminary estimates this decline actually could be greater than in 1991).

In evaluating the decline in production it is necessary to take the following aspects into account:

—Difficulties that appeared in agriculture in applying the Land Fund Law as a result of this year's drought;

—A sharp 50-percent reduction in Romania's exports and imports (through disintegration of CEMA), whose major impact is difficult to put a figure on, plus a drop in complex exports;

—Reduction in the investment potential of the economy. A major cause has also been the delay in re-establishing the role of interest in protecting the population's savings and accumulations of the economic agents;

—The private economic sector, which is the most dynamic one, currently cannot be evaluated statistically in its true dimension; also, other activities, such as, for example, new housing construction visible in any village and city.

The decline in production is present in all former socialist countries, even in those who began their changes earlier than Romania and who forecast increases for this year.

The decline in production, however, is not the result of structural changes but of the crisis which the economic system entered back in 1988. The sharp rupture of the old economic system has emphasized the decline in production but, at the same time, being a direct consequence of the shattering of the old political system, aided Romanian society in saving five years of perestroika in order to define the direction it must go and nine years of the Polish experience in order to understand that there is no alternative to your own effort to stabilize the economic and social processes.

(b) Reduction in the standard of living mainly caused by the production decline but also by other elements specific to the Romanian transition (for example, the sharp rise in number of retirees by around 900,000, reduction in working time in certain sub-branches even below the standards existing in the developed countries and so forth).

Reduction in Romania's standard of living is less than the one recorded in other former socialist countries in transition but more overwhelming, bearing in mind the lower standard from which we began.

However, there is one implacable truth: It is only by maintaining a stable economy and continuing the structural reforms that we have chances for the decline in

production to halt and for economic growth to start up again. The alternative to this policy is an even greater drop in the standard of living.

(c) The tendency to regenerate the financial blockage, a phenomenon also present in the former socialist economy, as much as we tried to identify and interrupt access to credit and to the state budget of the economic units with primary insolvency (for which the liabilities are greater than the outstanding debts). The economic units with primary insolvency also cause other, profitable economic units to enter into insolvency (secondary) although generally their outstanding debts are greater than their liabilities.

Keeping and emphasizing the phenomenon of financial blockage in the transition show that financial discipline at the level of the economic agents and of the banks still is not being applied strictly, while entering into and exiting from economic activity still is not being sufficiently subject to the rigors of the market economy.

The Ministry of the Economy and Finances, together with the Romanian National Bank, applied a set of measures to attack the problem of financial blockage, within which are the place and aid for those economic units which can present a clear reorganization plan, with a strict conditionality attached;

(d) The rise in unemployment which is relatively under the level existing in other former socialist countries in transition.

In order to counteract extending unemployment immediate measures are needed, measures aimed at opening some investment projects in the infrastructure, which are absolutely necessary and intensive in the labor force which are to be financed from the unemployment fund formed beyond what is necessary, on the basis of a draft law which is to be presented to the new Parliament as well as from other financial resources being identified (houses, liquidations, and so forth).

The current government can state that it has shown the existence of a real opportunity for Romanian society: With a minimum of will on the part of political, trade union, and other social forces, Romania can succeed, while we Romanians are capable of surmounting the big difficulties of the transition.

The forces within the country or abroad which have wished and do wish to show that our country is ungovernable, that it cannot keep on the road toward democracy and a market economy, are forces which are placing above everything their own or group interest and the blind wish for power or even the hope of creating a new hotbed of conflicts in Romania, which serve their interests.

Our country now has a need for a new government as soon as possible, while all the political and social forces must help it since the transition still requires time and social costs.

The government must be united and, being subject to parliamentary control, must have available the power needed to continue the efforts for stabilization of the economy and for structural reform. Democracy means not only to be legitimate but also effective, while the transition is a state of the economy which, in order to be overcome, requires the concentration of all forces of society toward this end.

'Terrible' Situation of Elderly Underscored

93BA0511A Bucharest *DIMINEATA* in Romanian
8 Jan 93 p 3

[Interview with Professor Constantin Balaceanu Stolnici by Dan Gheorghiu; place and date not given: "I Would Not Want To Say That We Are Witnessing a Genocide of the Aged, but Their Situation Is Terrible"]

[Text] [Gheorghiu] Professor, your position gives you a broader perspective than we, occasional onlookers, have of the conditions that the elderly have to face in winter-time.

[Stolnici] The elderly are the segment of the population most sensitive to cold: First of all, because their ability to move about and provide for themselves is diminished as a result of their difficulty in walking; second, because the majority of the elderly suffer from some chronic diseases (atherosclerosis, rheumatism, etc.) and especially because their bodily defenses are greatly diminished. Likewise, the elderly are less able to control their body temperature than younger people so that they are a priori victims of any massive drop in temperature. Here, other factors are added to these organic causes, which aggravate the living conditions of the elderly. First, their incomes are very low. Some of them are supported by their families, but most live off their pensions, which do not allow them to satisfy all the necessities. That forces them to rummage about for cheap things, to stand in very long lines, etc. Then, with all the compensation they get, the price of medication remain very high. A prolonged treatment at very high cost becomes a tragedy for an older person. Finally, in addition to greater sensitivity to cold and insufficient defenses, winter confronts the elderly more also with a lack of water, especially hot water. This means that they stop washing themselves, which creates other complications.

[Gheorghiu] How is the institute that you head responding to the cases that appear under such conditions?

[Stolnici] Our clinic is particularly hard put in winter-time. Some elderly people are brought in with serious illnesses (pneumonia, cardiac insufficiency, cardiopathy) caused by cold; others seek refuge with us to find a bed, food, and heat and are then freed from all kinds of struggles. The services of the hospital are free, and any

old person can ask for them, provided they are allotted by the Spatarul Street Polyclinic. Those sick people whose state of health is less serious can be housed, for a charge, in hotel-like conditions in our Otopeni section. The current charge is about 400-500 lei per day, which, considering the comfort and the excellent care, is but a nominal price, because it costs us much, much more. The cost of hospitalization includes housing, food, medical care, and physiotherapy, not to mention medication.

[Gheorgiu] What are the chances for the elderly to enjoy a longer stay in the protection of your institution?

[Stolnici] We are not a hospital home. Still, the period of hospitalization here lasts longer than in other places: about a month. In other countries the sick are hospitalized for seven to 10 days. In the Otopeni section hospitalization can last up to a month and a half. We cannot keep the sick any longer than that. On the other hand, one of the factors over which we have permanent control is the average number of days of hospitalization, precisely to allow many more sick people to benefit from our services.

[Gheorgiu] How could social welfare be assured for nonadmissible elderly people who live alone?

[Stolnici] In wintertime every day at the Medical-Legal Institute, four or five elderly people are brought in who died because of heart failure, uremia, etc., who were

found alone in their apartments or on the street. For them social welfare means not so much the realization of humane living conditions in buildings—which the municipal administrative bodies support and which is necessary for the entire population—as much as some kind of social assistance at home. Single elderly people who are immobilized are faced with the alternative of dying or being exploited, one aspect of which is that they need to be paid double or triple what they now get. The necessity of social welfare for the elderly must enter our consciousness as one of the obligations each generation has to the generation that preceded it and gave it life, education, and more or less sufficient living conditions. Thus it is a social obligation that at present our state budget cannot meet. We should have developed a system of hospital homes, but even some of those that exist are functioning in very bad conditions. I would not want to state that we are witnessing a genocide of the elderly, but their situation is terrible. As the president of the Society of Gerontology, as the director of the Institute of Geriatrics and as a professor, I am obliged to sound this alarm and am very pleased to see the newspaper DIMINEATA take over this message of mine, which is addressed not only to the legislators, not only to those who apportion the money, but to all those who have money to spend and are considering different kinds of sponsorship in the humanitarian area, one of which is the protection of the elderly.

* Aspects of Slovak Political Right Considered

93CH0256A Bratislava SLOBODNY PIATOK in Slovak
4 Dec 92 p 2

[Commentary by Ivo Grycz: "Right Vision"]

[Text] Some time ago Vladimir Meciar expressed his indignation at a slogan on a banner that a group of young folks "incidentally" tried to call the deviations from the right orientation to the attention of the congress of the victorious VPN [Public Against Violence] movement in Topolcianky. The part of the VPN movement that heeded the advice of the tiny crowd under the banner buried, along with the ODU [Civic Democratic Union] sign, also some of its hopes for the establishment of a civic right wing. The 1992 elections were won by a movement, which used Vladimir Meciar, the foe of the right wing slogans, as its mouthpiece to present itself as a broad-based center. It rescued the HZDS [Movement for a Democratic Slovakia] and enriched the mass of the post-November revolutionaries by individuals whose mind occasionally bristles at the term "right wing" because it is extremely difficult for a nation of nonowners, for most of whom nonownership is both a destiny and a purpose, to get used to owning anything and assuming responsibility for its own life. The winner of the elections in Slovakia was the state. After six months, the constitutional debates between the HZDS and the ODS [Civic Democratic Party] were finally concluded. Although the declension of the concept of state in all its forms will continue for a long time, if some of its citizens have intrinsic will to own something, those individuals will more insistently ask: Who represents their will?

My brief look at our not too distant political past was inspired by certain views of the leader of a movement that considers itself the only right representative with some influence. As an opposition leader, Jan Carnogursky is back among his voters, and growing visibly younger, in fact, so much younger that he again seeks power in the street. To his loyal followers he illustrates his determination to gain power on an example of logical association. Allegedly, the VPN used to have personalities, intellectuals, and a program. But where are now Fedor Gal, Jozef Kucerak, and the others? The prime minister already prematurely refers to the HZDS in the past tense. The HZDS has accomplished its task and will lose its popularity under the harsh economic conditions in the new state because it cannot fulfill its public promises. According to Carnogursky's logic, the KDH [Christian Democratic Movement] can serve again as a stabilizing factor to raise power from the street. Even if his fanciful motto sounds like an exaggeration, the leader of the KDH asks what kind of a political system is it if it cannot survive a year after elections. In this context, the observer cannot help noticing Jan Carnogursky's unconcealed glee at the defeat of the ODU, which has opened an unexpected space for the KDH's maneuvering right of the center. Jan Carnogursky does not believe in a resurrection of the new right.

I am afraid that the view of an owner, a shareholder or an entrepreneur who is waiting for a right wing party will contradict Carnogursky's vision. The KDH from its inception was based more on Christian foundations than on interests of aspiring owners. Slovakia implemented the Prague model for the transformation of ownership relations; its Slovak derivation was in the hands of experts from the VPN and later from the ODU. Carnogursky's government lacked the space for its own economic model, which in the end led the SKDH [Slovak Christian Democratic Movement] to leave the KDH. Christian democrats did have a chance to organize a party of a populist, rather than a conservative, type, but in the end its "populism" was stolen by the HZDS. The new right may be prevented from organizing itself in a faction of the HZDS (with the help of the representatives of the DS [Democratic Party] and the ODU, may they forgive me) only if this ruling movement proves unable not only to assimilate but also to generate an interest in ownership because, while a state-controlled economy is being transformed into a market economy, the one who offers opportunities to owners and entrepreneurs—that is, the state—has the best chance of becoming their representative. It is undeniable that Christian democrats are influential in the Slovak countryside, a part of which is devoted to ownership of land. Attachment to land is the traditional foundation of Slovak conservatism, and here the KDH has some prospects.

A new, nonfundamentalist right of a liberal type will be organized by new entrepreneurs, lawyers and commercial attorneys, and by intellectuals. They will be existentially interested in demanding more freedom for investments and in curbing state pressure on entrepreneurship. Paradoxically, the government must help establish this new right and retain only the absolutely necessary control of economic regulations. It must choose either to govern to an economically weak Slovakia, or to have only minimum influence on an economically strong Slovakia. Moreover, to guarantee stability, it must "produce" the greatest number of new owners. It would be a catastrophe to maintain the status quo because nonowners tend to yield extremely fast to radical moods. And I think that there have been more than enough revolutions already.

Thus, a look from the right may be quite enlightening, not only as an outcry against a banner displayed by a handful of young people, but also as a well-planned governmental policy and a "production" of the new right. If the government fails to provide opportunities for its creation, it will find itself in danger that it may soon cease to be a government, or that someone may start again seeking power in the street and dust off Gottwald's updated slogan: "He who does not go with us goes against himself."

* Zala on Prospects of Slovakia's Leftist Parties

93CH0222A Bratislava SLOBODNY PIATOK in Slovak
18 Dec 92 p 6

[Article by Boris Zala, former chairman of the Slovak Social Democratic Party: "Slovak Left Wing in Year One"]

[Text] Time and again we keep hearing allegations by the right-wing and liberal politicians about Slovakia being leftist; Czech politicians add that it is both leftist and nationalist. In official statistics of the Federal Institute for Public Opinion Research I noted that in the column of parties listed as leftist appear, along with the SDL [Slovak Democratic Left], SDSS [Social Democratic Party of Slovakia], HZDS [Movement for a Democratic Slovakia], the SNS [Slovak National Party], SKDH [Slovak Christian Democratic Movement], and I believe, the Greens. However, anything in our country can be interpreted as leftist—state interventions in the economy here and the state's "magnanimous" social policy there, or the variously motivated efforts at collectivism and all kinds of social utopias or totalitarian tendencies. (Anyway, that does not bother me because what kind of a right wing would it be, anyway, if it would not concoct any myths about the left wing.)

Slovakia Voted for Goulash

Well, it is true that Slovakia's thinking is profoundly liberal, yet it failed to support the liberal power (VPN [Public Against Violence]-ODU [Civic Democratic Union]); by its customs it is just as much Christian-traditionalist, yet it failed to support the Christian-conservative politics (KDH [Christian Democratic Movement]). By its feeling and values it is leftist, yet it failed to support to any significant degree the modern left wing (SDL or SDSS). It is nationalistic and patriotic, yet it failed to support separation (SNS [Slovak National Party]). In fact, the Slovaks are multifaceted and follow a variety of interests that they would like to gratify instantly and all at once. They voted for something akin to a pot of goulash spreading tempting aromas of democracy with a liberal face, profound religious tolerance and distinctive social feelings, and above that all, floats a vapor of national emancipation achieved without any anxiety about a radical breakup with a kind of an idyllic confederation. They voted for the HZDS and its number one man, Vladimir Meciar, a symbol of this very divided Slovak soul.

A Weak Left

The left wing must operate within this space during the new year, which will be a Slovak year. It is indisputable that the leftist forces are now present in various political parties. Next to the SDSS and the SDL, they certainly constitute a major part of the membership base and of sympathizers of the SNS, the HZDS as well as of the Greens and the farmers' parties. Nevertheless, I think that the left remains weak because the intuitive leftist attitudes of our citizens are not up to a modern left; quite the opposite—they would destroy it. Leftist politics in the age of short-lived, rapidly changing social needs and demands would contribute more to social destabilization than to progress. Even the SDL often hides behind the cloak of the "modern left"; its program and policy alone hardly offer us any clear idea of what that term means. I rather suspect that it has succumbed to some illusion of acting both as an opposition and as a builder of the state

and of being critical and polite at the same time.... But all that is nothing but a parliamentary mumbo-jumbo: The SDL has reduced its policies in general to a jockeying for parliamentary positions (somehow it has mastered it much too fast and feels comfortable with it), and with its slogan: "Let us set ideology aside and be pragmatic," it actually has abandoned also any broader socioeconomic vision or projection of its policies. In fact, the social democrats are still unable to get up on their feet; although they had run in the elections on a platform that quite clearly defined the leftist program, and although they had not been burdened with a legacy of a communist past, they failed to make adequate headway. As the SDL, which was encumbered by a legacy of a totalitarian past, reacted in self-defense by failing to adopt a distinctive, clear-cut leftist line that was needed precisely at the time of the "redistribution of property and ownership," so also the social democracy experienced some tragic turns of fate: Its very foundation outside the main stream of the "gentle revolution," outside the VPN, had pushed it to the periphery of political developments already in the first elections. After strenuous advances over a period of 18 months, which in terms of personalities brought about the membership of Alexander Dubcek and in conceptual terms the suppression of the Czechoslovakist traditions (also by frustrating Horak's ambition to forge a unified Czechoslovak social democracy), another tragic turn occurred: The nonparticipation in the Slovak parliament, a new expansion of the profederalist forces (after the author of this article left the office of the first deputy chairman), and the death of Alexander Dubcek. However, the situation in other parties is not easier, either. The Greens who could not make any headway at all belong now irrevocably in the left-wing repertory. It may be assumed with complete certainty that the HZDS will end its run with scars from its responsibility for a government that will fail to satisfy particularly the socioeconomic expectations of our people.

From Sentiments to Politics

The leaders of the leftist parties or of the social-democratic factions in other parties must take all this under very serious consideration. Their first and foremost task will be to overcome the leftist intuitive approach and to transform the leftist sentiment into a conceptual policy. That requires three steps: To determine their ideological legacy and assets, the targets to whom their policy should be addressed, and their organizational problems.

As far as the ideological legacy is concerned, it may proceed only from the social-democratic tradition of the Slovak working class (to a very slight degree, from the "Derer" phase of social democracy during the first Republic) and from the reformist ambitions of the representatives of socialism with a human face who at long last must find their social-democratic niche as a natural haven for their aspirations for democratization from the 1960's. Dubcek's endorsement of social democracy serves them as a memento for the future so that it,

as a generational formation with a considerable political clout, may achieve its self-realization and is not dissipated without translating its idea into reality, which is what they are threatened with because of their "political wandering after the revolution." Their third legacy as well as an asset is the trade union movement whose tradition in our country is indisputably strong and left-oriented; now it is up to the trade union leaders to stop hiding themselves ideologically behind an artificial apolitical or nonpartisan stance. They are part of the left wing ideologically and even more politically; they may remain nonpartisan only by being organizationally independent from other parties. Apart from that, the left wing has no other domestic assets today.

Unavoidable Involvement

The conceptual program and practical policies of the Slovak left must be addressed to specific groups: workers, entrepreneurs, farmers, intelligentsia. It will depend on the skill of the planners of the program and of politicians how effectively will they be able to approach those groups. From the political point of view, however, the third step, which is Organization, will be decisive now and during the Slovak Year One. Nothing except

chaos can be created all by itself and from the bottom up. What is needed is action, a thorough, well-planned scenario. No later than in the next few months the representatives of the left, regardless of their party affiliation, should sit down at a round table and organize a "task force" to draft a concept of leftist policies, and furthermore, a "coordinating committee" as a consultative body to plan a strategy and tactics for organizational proceedings. As a result, the Social-Democratic Movement will be founded. Everyone can contribute to it something of value: The HZDS, its experience with the governmental policymaking, in addition to voters; the SDL an organizational structure and experience with opposition politics; the farmers' parties their natural base in the countryside; the SDSS its connections abroad and its international recognition, and naturally, all of them also their leading personalities and sympathizers.

Without a well-charted action plan Slovakia's leftist potential will exhaust itself either in ephemeral social skirmishes, or in utopian social expectations, or in toothless parliamentary maneuvering. Thus, the Slovak left and its representatives are standing before a choice, but that is what Slovakia needs in its first year.

Macedonia

VMRO-DPMNE Deputy on Economic Blockade

93BA0466A Sofia KONTINENT in Bulgarian
30 Dec 92 p 7

[Interview with Zoran Kitev, VMRO-DPMNE representative, by Emil Neykov; place and date not given: "Severe Impact of the Economic Blockade on the Republic of Macedonia"]

[Text] [Neykov] Mr. Kitev, what is the main objective of the existence of the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity]?

[Kitev] The establishment of an independent and autonomous Macedonia and building within it of a European-type democracy.

[Neykov] Are the people not disturbed by the concept "revolutionary," which is part of the party's name?

[Kitev] This did occur prior to the elections, and there was a certain confusion among some of the people. Today, however, it has been surmounted. The people no longer accept disinformation so easily and can see who, in practice, totally defends their interests.

[Neykov] Was the Law on Citizenship well-received?

[Kitev] The VMRO-DPMNE insisted that Macedonian citizenship could be obtained after 30 years of residence. The purpose of the law is to prevent the Islamization of Macedonia.

[Neykov] Is there freedom of the press in Macedonia?

[Kitev] Unfortunately, for the time being this is only a wish. The only independent daily, REPUBLIKA, was banned by the official authorities in Skopje, for it was not dancing to their tune. The democratic organizations issue their own information bulletins, although very rarely because of financial reasons.

[Neykov] What is your view on the adopted anthem and seal of the Republic of Macedonia?

[Kitev] The VMRO-DPMNE approved the anthem but is categorically against the adopted seal. The public is familiar with our suggestion of putting a lion on the seal.

[Neykov] What is the greatest danger threatening the VMRO-DPMNE and the Republic of Macedonia at the present time?

[Kitev] The greatest threat is the Serbomaniac policy of the present neocommunist government in Skopje.

[Neykov] What is your assessment of the economic situation in the Republic of Macedonia?

[Kitev] Following the blockade that was applied against us by Serbia and Greece, our economic situation has become exceptionally difficult. We are grateful to the

Republic of Bulgaria for the assistance it has given us in such hard times. Today 80 percent of our food and 100 percent of our petroleum derivatives used by our country come from Bulgaria.

As to the economic situation, according to official data we have 172,000 unemployed. In reality, however, their number is much higher. The parliament passed the Law on Privatization, drafted by Jane Milev, a minister without portfolio attached to the Ministry of the Economy. A number of important economic laws have still not been passed. No stock and commodity exchanges have been established. Furthermore, Ivan Angelov, the former minister of agriculture, opened an agrarian commodity exchange in Skopje, which became internationally known, with partners in Germany, the Netherlands, and Belgium.

At the same time, the parliament decided to correct the budget deficit in an "original" manner. To this effect it introduced a 30-mark fee to be paid by any Macedonian citizen who crosses the border points of the Republic. Two facts strike unprejudiced people: The first is that the fee was introduced at a time when the highest number of passengers crossed the Macedonian-Bulgarian border. The second is also significant: The 30-mark fee is not collected at the Macedonian-Serbian border.

[Neykov] What is your prognosis, Mr. Kitev?

[Kitev] As long as neocommunism rules in Skopje we cannot speak of any true democracy in Macedonia. It will be difficult to resolve the present economic crisis. The only solution lies in new democratic elections.

Greek Deputy Kirkos on Macedonia's Name

93BA0452A Skopje PULS in Macedonian 21 Dec 92
p 24

[Interview with Leonidhas Kirkos, Greek politician, by the Athens newspaper APOGEVMATINI, 10 December 1992: "Skopje Will Be Recognized With the Name Macedonia"]

[Text] In an interview granted to APOGEVMATINI, the Athens newspaper, dated 10 December 1992, most of Leonidhas Kirkos' discussion dealt with the Macedonian issue. Today Leonidhas Kirkos, a veteran of the democratic movement in Greece, leader of the moderate left and until recently of the leftist coalition, and current representative in the Greek parliament, is considered the most eminent Greek politician. His views on the Macedonian issue, particularly of late, are increasingly drawing the attention of the Greek public. It is believed that his thoughts and views are of exceptional significance in assessing Greek political thinking regarding the Macedonian issue. Following is the full text of his interview, carried by PULS.

[APOGEVMATINI] The leftist coalition did not agree to participate in today's meeting [10 December] on Macedonia. Eventually, however, it decided to participate.

[Kirkos] My reasoning is different. We most heartily participated in the Salonika meeting (January 1992). From the very first moment we cautioned that the meeting should not be interpreted one-sidedly, i.e., that it dealt exclusively with the name, but as the start of a national awakening.

[APOGEVMATINI] Does this mean that you now believe that a national awakening is unnecessary?

[Kirkos] The Skopje issue has made its round and it was clear to everyone in Edinburgh that the resolution would be negative. At that point, we appealed to the people to do something. What? To express their disagreement with a negative resolution? To apply pressure to bring such a resolution about?

[APOGEVMATINI] Let us assume so. Do you consider this a minor matter?

[Kirkos] Could it be that the organizers did not realize that they must provide an explanation to their people because of their feeling of defeat and failure?

[APOGEVMATINI] Is it not necessary to answer in all cases to those who ignore the feelings of the people?

[Kirkos] The answer must be given to us, who drafted this resolution which will be passed. Look, my view is very clear. We were and still are following the wrong path. Unless we amend our itinerary, it will become obvious that one evil will lead to a thousand other evils.

[APOGEVMATINI] But everyone, other than the Communist Party of Greece, agreed on the issue of the name!

[Kirkos] No, such is not the case. From the very start, there were three issues (borders, propaganda, name). The coalition had to insist on assigning priority to the first two. However, there was total agreement also between the two parties (Nea Demokratia [New Democracy] and PASOK [Panhellenic Socialist Movement]) in absolutizing the issue of the name, which was the main error. This is because, in the final account, Skopje will be recognized, as is apparent, one way or another, involving the use of the name Macedonia, without securing the prerequisites that were formulated by the European Community.

[APOGEVMATINI] In the final account as well, in all such matters that you condemn, are you not afraid that you might isolate yourself from the feelings of the people and the views of a world that asserts that it no longer wishes to tolerate a humiliation?

[Kirkos] I am concerned with saving that world from humiliation. If humiliation is accompanied by a wrong policy, our people should not feel humiliated but demand an explanation from those who took them there.

[APOGEVMATINI] Mikis Theodorakis blames those who scorn our national identity. He has threatened that he will fight for our withdrawal from the EC.

[Kirkos] As a musician, Mikis Theodorakis has his sensibilities. His suggestion that we leave the European Community as a gesture of revenge, which is a rather amateurish pretext, is due to his desire, as an artist, to express his special sensitivity. As a political pretext, however, this is exceptionally dangerous and can be classified as thoughtless amateurism.

[APOGEVMATINI] Yes, but there also are other people who are not musicians but who also believe that our national feeling has been oppressed.

[Kirkos] I repeat that a situation that entails great responsibilities has been created. The people were misled, uninformed, and betrayed along that path. Few are those who know that because of such actions the international reputation of our country has dropped to its lowest point in the past 50 years. And all this is taking place at a time when we are, perhaps, on the threshold of dramatic events which, eventually, could involve our country as well.

[APOGEVMATINI] If now, when Skopje is still a phantom state, it is able to impose its view on the issue of the name, what will it do tomorrow, when it stands firmly on its two feet?

[Kirkos] My God, we are facing here the tragic contradictory nature of Greek policy. On the international level, they were able to create the impression that Skopje is indeed a power that could threaten us. Skopje did not aim the name it wants at us. It was the Greek view, from the very start, that should not have been supported. Do not blame the sea for rocking the boat.

[APOGEVMATINI] Therefore?

[Kirkos] To us the name is of historical, of sentimental, value. To the people of Skopje, however, it is of practical importance. They occupy a land which geographically is described as Macedonia. Similarly, it was incomprehensible to the international community that we would be able to impose our demand that they should stop using that name. Therefore, my proposal offered a solution: We should agree on a name that would have a geographic dimension, i.e., the Macedonian Republic on the Vardar (Vardar Macedonian Republic). Others suggested the name Slavomacedonian Republic. Now, by demanding too much we would lose even what little there is.

[APOGEVMATINI] Many have said that you are presenting the view held by the old Greek leadership, which is doomed to capitulate.

[Kirkos] No. I do not how this could be a capitulationist viewpoint if its purpose is to save the country from ups and downs and to help it to assume a stance of a political offensive in the Balkans. For example, should we erect defenses against the aggressiveness of the Turks? In politics, if we start from patriotism, the result would be a defeat. Let us not forget 1897 when, unprepared,

Greece plunged into an adventuristic war against Turkey, in which it was severely defeated on the issue of Thessalia.

[APOGEVMATINI] Are you drawing an analogy between 1897 and 1993?

[Kirkos] No, but I would like to say that juggling patriotic shouts yields the opposite results. Those who interpret my voice as capitulationist would lead us to defeat.

[APOGEVMATINI] Yes, but the answer, especially that of the young, is that the adoption of the name Macedonia means a defeat for Greece.

[Kirkos] Are you referring to the thoughts expressed by Mr. Samaras? He is one of the main culprits. He is responsible for the acceptance of a policy that is taking us into an impasse. Mr. Samaras is organizing his own political domain, his political base.

[APOGEVMATINI] Very well, but in your case as well it could be said that you would like to secure your own political views.

[Kirkos] Very well, I shall say nothing but here we are and it is on this that we shall be rated. In any case, I make no difference between the older people and people in their 40's. In this issue the middle-aged are much more attentive.

[APOGEVMATINI] The remarks to which you are subject, however, are very harsh.

[Kirkos] Honestly, I prefer remarks, providing that they are accurate, to any responsibility assumed by someone who keeps silent. However, I have also been maliciously attacked by people who linked my view to that of the president of the Republic. Miserable hints have been made of cooperation with the veterans in support of government policies. Let us be clear on this matter. If they want to attack the president of the Republic, let them do so. If they want to go after me, let them do so as well. This should not be linked to anything else, for this has nothing to do with the issue, this would be improper.

[APOGEVMATINI] Still, it would be no mistake to say that on the issue of the name you come closer to the view of the Greek Communist Party.

[Kirkos] On the issue of the name of Macedonia, I am closer to the views of the Greek Communist Party, but I am categorically opposed to any other type of reasoning that leads us to a state of extreme isolation, as we gradually broaden our conflict with the CSCE, NATO, and the United States. In the final account, what type of reality are such people seeing?

[APOGEVMATINI] Talking of the elderly and the middle-aged, according to Kharilaos Florakis you have signed a document with which you resign from all of your functions. However, you did not manage to resign from your function as a representative.

[Kirkos] I failed to understand the views of Kharilaos. The coalition passed a resolution according to which one could not resign the function of representative. I nonetheless abandoned all functions and I will resign as representative as well. Florakis, however, remained honorary chairman (of the Greek Communist Party). I was consistent whereas he was not.

* Administrative Problems Slow Development

93BA0459A Skopje VECER in Macedonian 30 Dec 92
p 7

[Article by D.S.: "The Standard Will Tell the Price"]

[Text] *Certain evaluations that were made a year or two ago now prove to be inaccurate, and however high the bills, they still have to be paid.*

The state cannot acquire more rights and obligations than before while reducing the number of people who perform "government work."

There are no half-way solutions in nation-building because, among other things, the world does not want us this way.

Slowly we are entering the phase when we have to begin to pay the bills for running our own government, and this is the part that begins to hurt the pocketbook and is more difficult than the declarative period that we are leaving behind us. The recent Assembly debate about how much money this government can collect, and how much we need, shows that often we have been fairly imprecise when we did the mathematics. For example, it is urgent now to discuss again what to do with improving the efficiency in administration, which is a fairly great burden on an otherwise tight budget.

In Place of Fewer—Still More Are Needed

At the time of the inauguration of Kljusev's government there arose a question, which was leaked to the public, if those who have called for a 30- to 40-percent improvement in efficiency of the government administration are truly rational. The principle trump card of those who thought that it is not possible to make such a cut in the administration, actually not in all places where it was sought, was that it is not possible to cut where in the future it will be necessary to provide for far more work than that which exists today. The point is very clear: Macedonia is a sovereign, independent state with all rights and obligations, which means that it will have to do a fairly large number of additional things since obligations will be taken over from the Federation. And, indeed, practice now confirms that this thinking was far more correct than that which sought to blindly proceed with cutting in the administration at any price and at any point.

Practice confirms this. The first improvement in efficiency in the administration, which on the one hand provided for around 350 to 400 fewer officials who have

since disappeared, and again in this same administration, it proved to be necessary to have far more officials than those who were eliminated for the sake of efficiency. The geodetic area is a good illustration: There were around 600 employees here and the government wanted to reduce this number to 400. In the meantime, the laws that the Macedonian Government passed resulted in obligations, and in this area this is illustrated by the fact that it will be necessary to employ 200 new workers, and not 200 less than the current number.

Again, for example, there is the case of customs: Around 130 new people are working here, and life and practice show that still more new workers will be required. This situation arose because of the closing of the borders with our northern neighbor and the stupidity of our southern neighbor, so that it is necessary to seek a way out to the east and to the west. Deve Bair is shown to be a bottle neck in which one expects to travel from one side to the other in 10 to 12 hours, and Novo Selo, which was present on the geographical map only as a border passage, with daily traffic of around four to five vehicles, has toady become a place where 50 large tugboats seek to pass. All this depends on the budget source for seeking money. Macedonia has to find a way out to the world in order to survive and funds have to be invested in order to push through this route. However, the customs official does not work alone, he needs police, banking services are needed at the border.... In March of this year it was not possible to balance out all this, and now when we have begun to make a more complete accounting, the sums have begun to look very large.

Crucified Between "Can" and "Must"

It has been shown that in the former Yugoslav Federation a great number of government matters were left for the union to solve. The federal units had very few rights and obligations of a purely governmental nature. But now everything that the union did, of course, has to be done by each of the individual states which arose upon the disintegration of this Federation. This means more rights, but also more material costs. Now everyone has to pay for his own government. The primitive calculations, which were made concerning improvement in efficiency, have proven to be short-sighted. For example, the Ministry of Foreign Affairs can no longer operate with as many employees as it has today because of a very simple reason: It is necessary to be in contact with the world, with numerous countries, and therefore it is necessary to have teams of professional people who know and are able to carry out the work. The same is true of the finances. Just anybody in the ministry cannot make the contacts with world financial institutions for every area that exists in the modern world. It is necessary to have professional teams here who will perform the work at a level in which we seek to enter—European and the world.

The police and defense enter the expenses separately. These are all noneconomic investments that are crucifying Macedonia, particularly in two areas: what can be

done and what must be done! That which "can" is much less because we have an economy which is galloping into catastrophic waters, as rarely before in the world, with a drop in production of dozens of percent, which the economists say is cataclysmic, and in which "must" is inexorable. The world—recognized and unrecognized—only wants to see us and accept us in partnership in no way other than as a competently formed state.

What now and—where now? The budget of 217 billion denars and planned 35 percent for public expenditure from the social production (and barely 30 percent will be realized) is a fairly dry well for covering everything. Therefore things have to be weighed on an apothecary's scales. Such thinking in the government is primarily in two directions: more in the economy or more emphasized participation of the noneconomic part of the budget. However, the general thinking of everyone is that Macedonia must not build castles and have illusions that with international recognition of the government the rich Western world will come to us the next day, to unload goods so that we flow with milk and honey. Everyone knows well that capital seeks large and very solid guarantees for every cent invested.

The state obviously has its price and if we want it then we have to pay. And the standard will indicate how much it costs.

* Bishop on Dispute With Serbian Church

93BA0454A Skopje NOVA MAKEDONIJA in
Macedonian 26 Dec 92 p 13

[Interview with Bishop Kiril by Miroslav Spiroski; place and date not given: "The Autocephalic Nature of the MPC Comes From Our Forefathers"]

[Text] *Chauvinistic circles in the SPC [Serbian Orthodox Church] feel hindered by the autocephalic nature of the MPC [Macedonian Orthodox Church] and the Macedonian Sovereign and Independent State. Each one of our steps is checked against the canons and based on the right of the Macedonian people to have their own independent church. Nis Bishop Irinej will be welcome in Macedonia as a Serbian bishop visiting the MPC but not as a so-called "Serbian administrator for Macedonia."*

We are familiar with the winds from the north, the more so since they present a "rich" historical familiarity. Essentially, they contain territorial claims toward this free bit of soil which was torn from the suffering Macedonian land in 1913 with the participation, in addition to Bulgaria and Greece, also of Serbia, as well as the denationalization and assimilation of the Macedonian people, the final objective of which was its enslavement, in which the Serbian Orthodox Church played a leading role.

All indications are that the SPC is still holding on to this idea. Recently, its Holy Assembly of Bishops resolved to assign a so-called "Serbian administrator for Macedonia," once again attempting to pour grist in the old

mill, according to which the Macedonians were to be converted into Serbians. To the regret of some members of the Throne of St. Sava, the Macedonians remained what they have been for centuries—Macedonians. They have struggled in the course of contemporary European processes for a sovereign and independent Macedonian state and autocephalic Macedonian Orthodox Church. Recently, the stubborn Serbian-Greek hatred of Macedonia was manifested once again in Belgrade, as a result of which the SPC first tried to restore the past by appointing Nis Bishop Irinej "Serbian administrator" in Macedonia and attempted to remove from the Throne of St. Kliment Archbishop Gavril of Ohrid and Macedonia, thus once again stop the circulation of the blood of the autocephalic Macedonian Orthodox Church of St. Kliment!

It was precisely such hypocrisy that was the reason for a talk with Polog-Kumanovo MPC Bishop Kiril, who is the oldest serving prelate of the MPC. He is also the only living bishop among the members of the Holy Synod of the MPC who, 25 years ago, signed the historical Resolution on the Restoration of the Autocephalic Nature of the Ancient and Glorious Ohrid Archbishopry, represented by today's St. Kliment Macedonian Orthodox Church.

[Spiroski] Your Grace, all the indications are that that is precisely what is hindering the chauvinistic circles in the SPC, who have never accepted the existence of the Macedonian people or of the Republic of Macedonia.

[Kiril] Precisely. They are hindered by the autocephalic nature of the MPC and the Macedonian Sovereign and Independent State, which are the most sacred gains of the age-old struggle waged by the Macedonian people for their national, social, and spiritual freedom.

[Spiroski] The Macedonian people's clergy and believers, who have never allowed the church lamp of St. Kliment to be extinguished, and, later, the native Macedonian bishops gradually freed themselves from the jurisdiction of the SPC in the Macedonian parishes. In that process, 1958 and 1967 were key years. What happened at that time?

[Kiril] It was then that the key battles for spiritual freedom of the Macedonian people were fought and won. The Ohrid Archbishopric was restored in 1958 and its autocephalic nature was resumed in 1967. The Christian nations throughout the world, the Orthodox in particular, with their churches and scientific institutions, especially in Serbia, Greece, Bulgaria, and Albania, are perfectly aware of the fact that Macedonia is a sacred land. It is the spiritual and cultural and educational source of the Slavic peoples. It was here that the Macedonian bishoprics and parishes were born and developed, and that the glory of the Ohrid Archbishopric was restored. In the 10th century, this Archbishopric became a patriarchy where the Macedonian King Samoil was crowned. After his kingdom fell, Basil II, the sovereign of Byzantium, downgraded the Ohrid Patriarchy to an

archbishopric. Among others, by royal decree he ordered "...to protect inviolable and with no change anything which has been the Archbishopric's since ancient times." At that time the Ohrid Archbishopric had 14 parishes, nine of which were metropolitan (Kostur, Pelagonija-Bitola, Strumica, Koric-Selasvor, Belgrade-Elbasan, Voden, Drac, Greben, and Sisan) and five bishoprics (Meglen, Debar-Kicevo, Veles, Prespa, and Gromokren). Under Ottoman rule, the Ohrid Archbishopric was an autocephalic church. As such, from the Macedonian state it spread Christianity for an entire 800 years. Its mission was put to an end by force and against the law in May 1767 by a foreign power—the Ottoman Empire in Macedonia, ruled by the Turkish Sultan Mustafa III, who, based on a financial agreement with the patriarch in Constantinople, banned the activities of the Ohrid Archbishopric while its parishes were grabbed up by the Constantinople Patriarchy.

However, the Macedonian people were never left without their own native clergy, who came from the ranks of the Macedonian people and have served that people, hardening their spirit in order to withstand and instruct the people during the period of foreign domination and under foreign church jurisdiction, so that they may not forget that they are a distinct nation with their own national and church identity and Macedonian language, culture, history, customs, and ancient Macedonian fatherland.

[Spiroski] What became of the Serbian bishop—"owners" of the Macedonian parishes, and is it accurate that the SPC has its own churches and monasteries in our Republic, as its leading bishops claim?

[Kiril] Let us turn this question around: Precisely that no one and never in Macedonia, neither in the past nor the present, has built sacred temples of God—churches and monasteries—other than our Macedonian people, depriving themselves of their own piece of bread for the purpose. What we are trying to say with this is that we do not mean that others did not participate in the creation of such holy places. However, while our church remained decapitated, this was the work exclusively of our clergy. Invaders and enslavers came and left, leaving behind the same robbed and impoverished nation. However, this was, is, and will remain a proud and dignified nation, whose spirit was never broken. That is why no one has ever been able nor will be able to be the ruler of Macedonia other than the Macedonian people. The impudent efforts of some of the high clergy in the SPC are seen in their present Great-Serbian chauvinistic policy. We have become accustomed to such a fictitious quasi-policies of our neighbors. That is why we are not surprised by the latest resolution of the SPC Holy Assembly of Bishops, which directly violates the dignity of Macedonian believers, the Macedonian people, and the Macedonian clergy.

[Spiroski] However, the Serbian Patriarchy is letting us understand that declaring the autocephalic nature of the MPC is in violation of the canons.

[Kiril] This is inaccurate. Each one of our steps has been checked against the canons and the structure of the individual orthodox Christian churches and the right of the Macedonian people and clergy to restore their Ohrid Archbishopric. This resolution was adopted at the Second Church-National Assembly in Ohrid, which was held on 4-6 October 1958. It was then that the Macedonian bishops were elected, headed by the newly appointed His Beatitude Dositej, archbishop of Ohrid and Macedonia, thus continuing the noble national Macedonian church mission of the Ohrid Archbishopric that is today represented by the MPC.

On this occasion, at its July 1959 Session, the Holy Assembly of Bishops of the SPC passed a resolution personally signed by Serbian Patriarch German, the introduction to which reads as follows: "The Holy Assembly of Bishops notes that the Skopje, Ohrid-Bitola, and Zletovo-Strumica Parishes of the Ohrid Church National Synod have developed into an autonomous Macedonian Orthodox Church, guided by the statutes drafted at that Synod." The resolution ends as follows: "This resolution terminates the validity of the bylaws of the Serbian Orthodox Church on the parishes and bishoprics in the People's Republic of Macedonia." This is the entire truth which no one can deny. Nor could anyone deny the fact that in 1920 the Serb Church-Royal Delegation visited the Patriarch of Constantinople, from whom it bought the Macedonian parishes for 1.5 million francs. These parishes were administratively included in the diocese of the SPC without anyone having asked the Macedonian people whether they agreed or not. At that time, however, the Macedonian people were under Great-Serbian military-police and church occupation and the Serbian invaders had a free hand!

[Spiroski] Said resolution passed by the highest SPC authorities in 1959 led to disagreements....

[Kiril] Yes. This came as a surprise to us. They tried to reject their own resolution and to deny to us the status of autonomous church, with a view to the restoration of Serbian church jurisdiction in Macedonia, similar to the latest anti-Macedonian provocation coming from Belgrade. However, at that time and, to an even greater extent, today, this was too late to pass as current policy on the Macedonian church stage. We have steadily and independently marched forward. At that time as well we asked like brothers that a sober reason prevail. Alas, this was in vain. That is why in July 1967 we unanimously undertook to restore the entire autocephalic nature of the Macedonian Orthodox Church, thus definitively rejecting Serbian church jurisdiction over Macedonia. Belgrade's answer was to stop contacts with us and to prevent us, joined by the Greek church, to restore canonic relations with some fraternal churches throughout the world. However, this has been in vain. Everyone knows that we have the right to do what we did, and everyone is on our side.

[Spiroski] Therefore, could we say that the latest resolution of the SAS [Holy Synod] of the SPC comes as no surprise?

[Kiril] That unexpected resolution of the SAS of the SPC is surprising because we sincerely thought that the SPC bishops had finally become imbued with the spirit of true orthodoxy, the spirit of true evangelical love, and, if you wish, the spirit of all-Slavic orthodoxy and the true sacred yearning for an all-orthodox Christian unity. This was indicated also in the statements of His Holiness Pavle Patriarch of Serbia, and the four SPC bishops who took part in the recent discussions in Kaliste. However, we were mistaken. Now we can openly say that Nis Bishop Irinej will always be welcome in Macedonia as a Serbian bishop visiting the MPC once real relations are established between two autocephalic churches but not at all as a so-called "Serbian administrator for Macedonia." Discussions between the MPC and the SPC may continue only after tabling the latest resolution of the Holy Synod of the SPC and on an equal basis, between the churches of two fraternal peoples.

[Box, p 13]

Reciprocity

Clearly surprised by the provocative meeting held the day before yesterday at the Macedonian Sveti Prohor Pciniski Monastery, between SPC Nis Bishop Irinej and Vranja Bishop Pahomije, on the one hand, and representatives of the so-called "church opstinas of the SPC in Macedonia," metropolitan Polog-Kumanovo Kiril was unable to provide an official assessment of the MPC on this event. However, he agreed to allow us to publish his own personal views.

Bishop Kiril could say nothing on the subject that there are SPC church opstinas and commissions in the Republic of Macedonia, for neither the Macedonian sovereign and independent state nor the autocephalic MPC have issued their approval to this effect, nor has anyone asked them to do so.

"We can discuss this topic after the restoration of regular relations between the two sovereign states of the Republic of Macedonia and the Republic of Serbia and of relations between the Macedonian Orthodox Church and Serbian Orthodox Church, on an equal autocephalic basis. It is only at that point, if we can find a common language, that SPC clergy could come and build a church in Macedonia if their flock are unwilling to attend the holy churches of the MPC. On a reciprocal basis, MPC clergy would be able to do the same for the Macedonians in Serbia. However, this would not be based on usurpation and violence, as the SPC is trying to act. Such issues must be resolved on the basis of respect for the statutes of the Macedonian and Serbian churches, of the MPC and the SPC and their legitimate structures."

*** Gasoline Crisis, Rationing, Coupons Reviewed**

93BA0436A Skopje VECER in Macedonian 21 Dec 92
p 3

[Report by S. Padori: "Everybody Is Clean and Rationing Coupons Are on the Market!"]

[Text] *Practical experience gained after four-month use of gasoline coupons.*

Although everyone along the fuel-coupon distribution chain claims that the rules have been obeyed, in the past few months of gasoline crisis one could frequently buy coupons on the black market at Bit Pazar and elsewhere.

According to the MVR [Ministry of Internal Affairs], the Ministry of the Economy, and Makpetrol, manipulations are excluded and possible cases of reselling the coupons are the result of "surpluses" acquired by some categories of coupon holders who have not used them themselves.

After a four-month-old petroleum crisis in the Republic, which peaked on several occasions with the lack of even a drop of fuel at gasoline pumps for public consumption, the situation seems to have become normalized in the past 10 days or so. There are no longer waiting lines, and gasoline is available on a daily basis. This is the result of the arrival of crude oil from Salonika and the work of the Skopje Refinery, as well as the only partial use of the coupons for limited 20-liter amounts, following the extensive use of such coupons in December.

Now, when it appears that slowly everything is falling in its proper place; many people are asking themselves whether in the future as well coupons and reduced consumption will become a daily routine and, essentially, to what extent did these colored coupons contribute to making the situation "tolerable." Could it be that many people did not pick up their coupons or did not use them, thus being unable to obtain even the minimal 20 liters, thereby explaining the sale of the coupons at Bit Pazar?! It is an open secret, furthermore, that some "highly placed" people had no worry whatsoever at any point concerning the number of coupons at their disposal or about procuring fuel. Be that as it may, practical experience, after four months of living with coupons and petroleum difficulties, has indicated that nothing is impossible: to purchase gasoline and to ensure for oneself additional coupons when their availability was limited and when not even a drop of gasoline could be found at the pumps.

Everything Under Control!?

We were informed by officials at the MVR, the Ministry of the Economy, and Makpetrol that, actually, the coupons did what they were supposed to do. Reduced consumption was necessary, as indicated by practical experience, and without the coupons the chaos would

have been even worse. As to any eventual manipulations and the "resurrection" of coupons on the black market, the allocation officials firmly claimed that there was virtually no possibility of "leakage" and abuses!

We were told at the Ministry of the Economy that the allocation, distribution, and resupplying took place (and is taking place) in accordance with instructions and regulations. We were told by Bosko Petrevski, chief of the Financial-Material Operations Sector, that the Ministry of Internal Affairs is involved exclusively in the technical implementation of the distribution process, with no opportunities for abuses. Everything is being handled by commissions and record keepers, from the delivery of the coupons to the central store, where they are counted and recorded, to their subsequent shipment to the regional administrations (again with proper documentation). Finally, the coupons reach the centers that issue them to the citizens. After completing the distribution, once again commissions and recorders count and record the unused coupons, which are eventually sent to the Komuna Enterprise for destruction.

However, despite statements that the "leakage" of coupons in the course of the distribution is impossible, there is still that word "nonetheless...." To begin with, the first question is whether trial runs in the printing of the coupons have resulted in eventual "test" coupons or coupon misprints to reach consumers? Furthermore, evil tongues are saying that "profit" was shown by people with connections in the MVR. Allegedly, the people with positions had no "problems" with coupons and the "dealers" in the centers had even fewer problems.

End of the Collection

Whereas along the other links in the distribution chain abuses were practically impossible, according to Mirce Gavrovski, head of Makpetrol's Internal Control, Security, HTZ [Industrial Hygiene and Accident Prevention], and PP [Fire Prevention] section, this does not apply at the pump, where any "minuses" hit the pump owners at their pocketbook. More precisely, the quantities of fuel that have been sold must be matched by the number of collected coupons. This operation is controlled weekly, at the time when each gasoline station submits proof of its deals. A separate Makpetrol service counts and wraps up the coupons and any discrepancy, down to a single liter, must be explained. The coupons are once again packaged, and the Ministry of the Economy delivers them to Komuna.

"Most gasoline station owners personally experienced to their detriment any discrepancy between the quantities they sold and the coupons they collected, from the very first month. If 600 liters were unaccounted for, all the owner had to do was to go to the market and purchase coupons. The coupons delivered to the Directorate were classified by series," Mirce Gavrovski said.

If everything was in order, the way the coupons reached the market becomes a real puzzle, the more so since the MVR, at least so far, has taken no step whatsoever to penalize resellers of fuel coupons. According to the officials with whom we spoke, it most likely is a question of coupons to which some consumers (private shippers) we entitled, but who either did not use them or found their sale more profitable! On the other hand, the "surplus" probably comes also from the big consumers who purchased fuel from Makpetrol in September, using big tanker trucks, against which they issued receipts but did not submit coupons, and collected the full quantities to which they were entitled.

Be that as it may, now, when supplies have improved, the coupons have become dead weight for many people. Whether they will be used in the future as well, or Makpetrol's initiative to abandon them will be adopted will be decided by the government. In any case, practical experience has indicated that in that area "breaches" should not be excluded, although we are speaking of activities conducted on a higher "level...."

[Box, p 3]

The Circle Is Tightening!

The use of foreign exchange coupons, which until recently was a function of the AMSM [probably Automobile and Motorcycle Federation of Macedonia] was taken over by the NBM [National Bank of Macedonia] as of the beginning of the month. We were told by the NBM that the printing operation was taken over above all in order to ensure better control, for it is a question of a type of paper of a quality that is precisely the one required by the NBM. At the same time, this will also block any possible forgeries.

The coupons issued by the NBM will be valid as of the 4th of this month, and the assumption of the obligation to print them by the NBM also automatically means that the circle within which coupons and cash circulate has been tightened. Whereas until recently the AMSM collected the money it paid to the bank and was concerned with printing and all pertinent taxes, henceforth its function will be exclusively that of a distributor.

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